92-1205

Supreme Court, U.S.
FILED
JAN 15 1993
OFFICE OF THE CLERK

NO. _____

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,

PETITIONERS

v.

CANON U.S.A., INCORPORATED,

RESPONDENT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

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QUESTIONS PRESENTED FOR REVIEW

1. Is an antitrust claim based upon Section 1 of the Sherman Act, which is asserted in a civil action in a United States District Court and is within the exclusive jurisdiction of the United States District Courts, barred by the failure of the petitioners to assert the antitrust claim in related proceedings before the International Trade Commission?

2. Is a defendant in a United States District Court civil action estopped to contend that an antitrust claim based upon Section 1 of the Sherman Act was within the jurisdiction of the International Trade Commission, where the defendant successfully had opposed amendment of the pleadings in the ITC on the ground that the antitrust claim was not within the jurisdiction of the ITC?

PARTIES AND RELATED COMPANIES

The petitioners, Aunyx Corporation and Aunyx Business Machines Corporation, have no parent companies or subsidiaries, except that Aunyx Manufacturing Corporation is a subsidiary of Aunyx Corporation.

The respondent, Canon U.S.A., Inc., is a wholly owned subsidiary of Canon, Inc., which is a Japanese corporation. The respondent has no subsidiaries known to the petitioners.

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REPORTS OF OPINIONS

The opinion of the U.S. Court of Appeals for the First Circuit as to which review is sought is published as Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3 (1st Cir. 1992), and appears in the December 21, 1992, volume of the F.2d advance sheets. It is reproduced in the appendix at pages 51-85.

The opinions of the U.S. District Court have not been published. They are reproduced in the appendix at pages 86-96, pages 97-105, and pages 106-108.

JURISDICTION

The judgment of the Court of Appeals was entered on October 21, 1992. No petition for rehearing was filed, and this petition for writ of certiorari is filed within 90 days from the date of judgment. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTES INVOLVED

15 U.S.C. 1:

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. . . .

15 U.S.C. 15:

(a) . . . any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. . . .

15 U.S.C. 26:

Any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, against threatened loss or damage by a violation of the antitrust laws. . . .

28 U.S.C. 1331:

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

28 U.S.C. 1337:

(a) The district courts shall have original jurisdiction of any civil action or proceeding arising under any Act of Congress regulating commerce or protecting trade and commerce against restraints and monopolies. . . .

28 U.S.C. 1338:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws. . . .

28 U.S.C. 1295:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction --

. . . (6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337); . . . .

19 U.S.C. 1330:

(a) The United States International Trade Commission (referred to in this subtitle as the "Commission") shall be composed of six commissioners who shall be appointed by the President, by and with the advice and consent of the Senate. . . .

19 U.S.C. 1337 (prior to 1988 amendment):

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is

to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section. . . .

(The full text of 19 U.S.C. 1337, as it existed in 1985, is set forth in the appendix below at pages 124-138.)

STATEMENT OF THE CASE

The petitioners, Aunyx Corporation and Aunyx Business Machines Corporation (collectively "Aunyx"), were corporations based in Hingham, Massachusetts, which distributed and serviced photocopy machines purchased from the respondent, Canon U.S.A., Inc.

("Canon") in the area around Boston, Massachusetts, and distributed throughout the United States supplies for use in photocopy machines made by Canon and other manufacturers.

Aunyx was one of more than 500 independent dealers authorized to sell and service Canon photocopiers in the United States.

Canon was the United States distributor for photocopy machines made by or for its Japanese parent company, Canon, Inc. ("Canon Japan").

A popular line of Canon photocopy machines ("NP copiers") required the use of a toner called "NP Toner" to produce images on blank paper. "Toner" is the colored (usually black) powder which is printed onto the paper to make the desired copy, and large amounts of toner are consumed by NP copiers.

NP Toner is the only toner which works in Canon's NP copiers, and has no use other than use in Canon's NP copiers. Canon was the only source of NP Toner. For a time a company affiliated with Aunyx, called Aunyx Manufacturing Corporation, made some NP Toner for intended use in Canon copiers, but Aunyx was unable to sell any significant quantities of the product. NP Toner made by a few other manufacturers also failed to find acceptance in the market, leaving Canon as the only source of NP Toner. (Aunyx contended that Canon had engaged in various unfair trade practices to discourage potential customers from buying Aunyx-made NP Toner.)

Having failed in its efforts to sell NP Toner made by its affiliated toner-manufacturing company, in 1985 Aunyx set out to

expand its sales of "genuine" NP Toner, purchased from Canon, by increasing its marketing efforts and offering the product at lower prices than those charged by other Canon dealers.

Canon promptly imposed restrictions upon the quantities of NP Toner which Aunyx was allowed to purchase, thus effectively destroying Aunyx's plans to distribute the product in quantity on a nationwide basis.

Aunyx contends that Canon imposed the restrictions as the result of a "horizontal" conspiracy with Canon dealers to allocate among dealers the territories in which various dealers were permitted to sell NP Toner. This would be a "per se" violation of Section 1 of the Sherman Act, 15 U.S.C. 1, for reasons explained below, for which Aunyx would be entitled to an award of treble damages under the provisions of 15

U.S.C. 15 and to injunctive relief under the provisions of 15 U.S.C. 26.

On July 15, 1986, Aunyx, being sorely aggrieved by (1) the activities of Canon which had interfered with the sale of NP Toner made by Aunyx Manufacturing Corporation and by (2) Canon's imposition of restrictions on Aunyx's purchases of "genuine" NP Toner from Canon, commenced two proceedings to obtain relief.

One proceeding was commenced before the International Trade Commission ("ITC"), a government agency which is concerned with unfair trade practices in the import trade. The pleadings filed with the ITC contained no allegation of the horizontal conspiracy to allocate territories among Canon dealers.

The other proceeding commenced on July 15, 1986, was a civil action in the United States District Court for the District of Massachusetts. Count VIII of an

amended complaint filed in that action asserted the horizontal conspiracy antitrust claim. Aunyx claimed a trial by jury.

Canon and Canon Japan were named as defendants in the District Court action. The pleadings later were amended to drop Canon Japan as a defendant and to add Aunyx Business Machines Corporation as a plaintiff along with Aunyx Corporation.

Canon never objected to Aunyx's maintenance of simultaneous proceedings before the ITC and in the District Court.

After a period of discovery, the complaint filed in the ITC was the subject of evidentiary hearings before an administrative law judge ("ALJ"). Before the hearings commenced, Aunyx and staff counsel for the ITC had moved for leave to amend their pleadings to allege the horizontal conspiracy. Canon objected that the horizontal

conspiracy claim was not within the jurisdiction of the ITC and also that it was asserted too late. The request to amend the pleadings was denied by the ALJ as untimely.

Thus the ALJ did not receive evidence on the horizontal conspiracy claim nor purport to rule upon it. He did find that Canon's conduct when tested by the "rule of reason" was not unreasonable, but he made no finding or ruling with respect to the per se antitrust claim.

The ALJ found against Aunyx on most of its claims. He did find that Canon had been guilty of unfair disparagement of NP Toner made by other companies, but on that issue the ITC reversed his decision.

Aunyx claimed an appeal to the United States Court of Appeals for the Federal Circuit (which has appellate jurisdiction over certain decisions of the ITC), but then moved to withdraw the appeal in order to

pursue the antitrust action still pending in the District Court in Massachusetts. The appeal of the ITC decision was dismissed on August 2, 1988 (see appendix below at page 122).

The action in the District Court now was revived. Canon now asserted that all of the claims made by Aunyx in the District Court were barred by res judicata principles -- including the horizontal conspiracy claim, which Canon now argued could have been asserted before the ITC, although Canon previously had argued to the ALJ that the claim was not within the jurisdiction of the ITC. (It was not, as we will show below.)

The District Court granted summary judgment for Canon on eight of the ten counts of the amended complaint, and later on most of another count, but three times refused to grant summary judgment on Count VIII, the horizontal conspiracy claim. The

District Court observed that Aunyx had not been permitted to offer proof of that claim before the ITC. See appendix below at page 95.

Trial on the horizontal conspiracy claim was held in in the District Court in March of 1991. After six days of jury trial, the District Court judge directed a verdict for Canon, on the theory that the plaintiffs had failed to prove "antitrust injury," a concept which the learned District Court judge apparently failed to comprehend.

The remaining count of the amended complaint was dismissed (see appendix below at page 109) and a final judgment was entered (appendix at page 111), from which Aunyx appealed to the United States Court of Appeals for the First Circuit.

The appeal was argued on January 9, 1992. On October 21, 1992, the Court of

Appeals decided that the judgment on the antitrust claim should be affirmed because the District Court should have dismissed the antitrust claim for failure to assert the claim before the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992). The Court of Appeals declined to consider the issue of whether or not the District Court had erred in directing a verdict on the merits of the antitrust claim. 978 F.2d at 8.

This rather unusual disposition of the appeal was erroneous as a matter of law for the reasons which will be set forth in the next section of this petition.

The United States District Court for the District of Massachusetts had jurisdiction over the civil action under the provisions of 28 U.S.C. 1331 (federal question), 28 U.S.C. 1332(a)(2) (diversity of citizenship), and 28 U.S.C. 1337(a) (antitrust

laws). The United States Court of Appeals for the First Circuit had jurisdiction of the appeal under the provisions of 28 U.S.C. 1291 (final decision of the District Court).

REASONS FOR ALLOWANCE OF THE WRIT

A writ of certiorari should issue to the United States Court of Appeals for the First Circuit in this matter because:

(1) This case presents an issue of continuing importance with respect to the res judicata effect to be given to decisions of the International Trade Commission on claims which are within the exclusive jurisdiction of the United States District Courts (such as patent infringement claims and antitrust claims). This issue of federal law has not been, but should be, settled by this Court.

(2) The decision of the Court of Appeals for the First Circuit in this case

(giving res judicata effect to a decision of the ITC on a claim within the exclusive jurisdiction of the District Courts) conflicts directly and in principle with the decision of the Court of Appeals for the Ninth Circuit in Stevenson v. Grentec, Inc., 652 F.2d 20 (9th Cir. 1981), cert. denied 456 U.S. 943 (denying res judicata effect to a decision in a proceeding before the ITC on a claim within the exclusive jurisdiction of the District Courts).

(3) A substantial injustice has been done to the petitioners because of the inconsistent positions taken by the respondent before the ITC and before the District Court on the issue of the jurisdiction of the ITC.

I. THE PETITIONERS' ANTITRUST CLAIM BASED UPON SECTION 1 OF THE SHERMAN ACT WAS WITHIN THE EXCLUSIVE JURISDICTION OF THE DISTRICT COURTS AND THEREFORE SHOULD NOT BE BARRED BY FAILURE OF THE PETITIONERS TO ASSERT THE CLAIM IN RELATED PROCEEDINGS BEFORE THE INTERNATIONAL TRADE COMMISSION.

The Court of Appeals affirmed the District Court's dismissal of the antitrust claim alleging a horizontal conspiracy of Canon and its dealers (Count VIII of the amended complaint in the District Court) on the ground that this claim was "barred, as a matter of law, by res judicata" because Aunyx had failed to assert the claim in the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992). The Court of Appeals said that "The record reflects that Aunyx knew enough about the facts of this

case to have been able to assert its horizontal conspiracy claim at the outset before the ITC," 978 F.2d at 8, and that it was "immaterial" that Aunyx was not permitted to do so because its application to amend the complaint in the ITC came too late. 978 F.2d at 8.

In other words, the Court of Appeals held that the antitrust claim was barred by the doctrine of "claim splitting." See Restatement (Second) of Judgments, section 24.

This decision was in error. The Court of Appeals overlooked or ignored the "Exceptions to the General Rule Concerning Splitting" which are set forth in the Restatement (Second) of Judgments, section 26, and which are generally recognized and applied by the federal courts.

International Trade Commission

The International Trade Commission ("ITC") is an administrative agency composed of six commissioners appointed by the President for nine-year terms. 19 U.S.C. 1330. The ITC is "entirely the creature of statute" and its authority is limited to that conferred by the terms of the delegating statute. Sealed Air Corp. v. U.S. International Trade Commission, 645 F.2d 976, 993 (C.C.P.A. 1981). The ITC was called the "United States Tariff Commission" before it was renamed by the Trade Act of 1974.

At the time when Aunyx filed its complaint with the ITC in 1986, the principal function of the ITC was to participate in the enforcement of the provisions of 19 U.S.C. 1337, which declared unlawful "Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the

owner . . . , the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States. . . ." 19 U.S.C. 1337(a).

The ITC was authorized to investigate alleged violations of section 1337, 19 U.S.C. 1337(b)(1), to conduct hearings with respect to its investigations, 19 U.S.C. 1337(c), and if a violation were found, to direct that the articles concerned be excluded from entry into the United States. 19 U.S.C. 1337(d). The commission also was authorized to issue "cease and desist" orders directed to violators. 19 U.S.C. 1337(f)(1). Its determinations under section 1337 were subject to Presidential nullification. 19 U.S.C. 1337(g).

Among the "unfair methods of competition and unfair acts in the importation of articles into the United States" for which the ITC issued "exclusion orders" were infringement of United States patents by the articles in issue, misappropriation of trade secrets used to manufacture the articles, and deceptive advertising of the goods. See, for example, Hyundai Electronics Industries Co., Ltd. v. U.S. International Trade Commission, 899 F.2d 1204, 1205 (Fed. Cir. 1990) (patent infringement); SSIH Equipment, S.A. v. U.S. International Trade Commission, 718 F.2d 365, 367 (Fed. Cir. 1983) (patent infringement); Viscofan, S.A. v. U.S. International Trade Commission, 787 F.2d 544 (Fed. Cir. 1986) (misappropriation of trade secrets); Textron, Inc. v. U.S. International Trade Commission, 753 F.2d 1019 (Fed. Cir. 1987) (deceptive advertising and infringement of registered trademarks).

A detailed history of section 1337 and its predecessor statutory provisions may be found in Lannom Mfg. Co., Inc. v. U.S. International Trade Commission, 799 F.2d 1572, 1576 (Fed. Cir. 1986).

The United States Court of Appeals for the Federal Circuit, which was created in 1982, succeeded to the jurisdiction of the United States Court of Customs and Patent Appeals, Copelands' Enterprises, Inc. v. CNV, Inc., 887 F.2d 1065, 1067 (Fed. Cir. 1989), and was granted exclusive jurisdiction "to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)." 28 U.S.C. 1295(a)(6).

However, the Court of Appeals for the Federal Circuit "does not sit to review what the Commission has not decided" and cannot

review issues not decided by the ITC. Beloit Corp. v. Valmet OY, 742 F.2d 1421, 1423 (Fed. Cir. 1984).

Res Judicata

"The federal courts have traditionally adhered to the related doctrines of res judicata and collateral estoppel. Under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action. . . . Under collateral estoppel, once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of

action involving a party to the first case."

Allen v. McCurry, 449 U.S. 90, 94 (1980). See to the same effect, Montana v. United States, 440 U.S. 147, 153 (1979).

The concepts of res judicata and collateral estoppel sometimes are described as "claim preclusion" and "issue preclusion" respectively. Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314 (Fed. Cir. 1983).

The doctrine of res judicata may be applied to bar a claim which could have been asserted in a first action but was not asserted there. The general rule, which is subject to a number of exceptions discussed below, is that the plaintiff must assert all related claims which are within the subject matter jurisdiction of the first forum in his first action "to avoid the onus of claim-splitting." Kale v. Combined Ins. Co.

of America, 924 F.2d 1161, 1165 (1st Cir. 1991), cert. denied ___ U.S. ___, 116 L.Ed.2d 44.

The doctrine of collateral estoppel, on the other hand, applies only to issues actually tried and determined in a first proceeding. Stolberg v. Members of the Board of Trustees for State Colleges of Conn., 541 F.2d 890, 892 (2d Cir. 1976), cert. denied 429 U.S. 897; Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314 (Fed. Cir. 1983) ("A critical difference between these concepts is that issue preclusion operates only as to issues actually litigated, whereas claim preclusion may operate between the parties simply by virtue of the final judgment.") Subsequent affirmance by an appellate court adds nothing to application of collateral estoppel principles. Stolberg, 541 F.2d at 893.

Federal Law Applies

The preclusive effect of a state court judgment upon a subsequent action generally is determined by the full faith and credit statute, 28 U.S.C. 1738, which requires that the judgment be given the same effect which it would be given in the courts of that state. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 379-380 (1985).

The preclusive effect of a decision of a federal court or federal agency is determined by federal law. Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 324 n. 12 (1971); Kale v. Combined Ins. Co. of America, 924 F.2d 1161, 1164 (1st Cir. 1991), cert. denied ___ U.S. ___, 116 L.Ed.2d 44; In re Energy Cooperative, Inc., 814 F.2d 1226, 1230 (7th Cir. 1987), cert. denied 484 U.S.

928; McClain v. Apodaca, 793 F.2d 1031, 1033 (9th Cir. 1986).

Intent of Congress Controls

The question of whether a decision of the ITC in a proceeding brought under the provisions of 19 U.S.C. 1337 should be given res judicata effect in a civil action in a United States District Court, so as to bar a claim which is within the exclusive jurisdiction of the District Court, depends upon the intention of the Congress in granting authorization to the ITC to determine issues presented by section 1337. Astoria Federal Savings and Loan Assn. v. Solimino, ___ U.S. ___, 115 L.Ed.2d 96, 104 (1991) ("In this context the question is not whether administrative estoppel is wise but whether it is intended by the legislature."); Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 386 (1985) ("Our previous

decisions indicate that the primary consideration must be the intent of Congress.").

II. CONGRESS INTENDED THAT DECISIONS OF THE ITC WOULD NOT HAVE PRECLUSIVE EFFECT ON CLAIMS WITHIN THE EXCLUSIVE JURISDICTION OF THE DISTRICT COURTS.

When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact within its jurisdictional limits which the parties have had a full and fair opportunity to try, the courts have not hesitated to apply the doctrine of res judicata to the agency decision. United States v. Utah Construction & Mining Co., 384 U.S. 394, 422 (1966).

Thus decisions of the ITC in section 1337 proceedings may be afforded res judicata effects with respect to claims which are not within the exclusive jurisdiction of

the United States District Courts, such as trademark infringement claims (28 U.S.C. 1338(a)). See, for example, Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42, 45 (2d Cir. 1985), giving res judicata effect to an ITC decision in a trademark matter, but noting that:

> "Patent validity determinations of the ITC are properly not accorded res judicata effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it. . . . Congress has granted the district courts exclusive original jurisdiction over patent validity cases."

Before the creation of the ITC by the Trade Act of 1974, it had been established by decisions of the Court of Customs and

Patent Appeals (predecessor to the Court of Appeals for the Federal Circuit) that decisions by the United States Tariff Commission (predecessor to the ITC) on the validity of patents could not have res judicata effects. In the case of In re Orion Co., 71 F.2d 458, 464 (C.C.P.A. 1934), the court quoted with approval from its earlier opinion in Frischer & Co., Inc. v. Bakelite Corp., 39 F.2d 247, 258 (C.C.P.A. 1930), cert. denied 282 U.S. 852:

> "It would hardly be contended that a finding by the commission that a certain patent was or was not valid would be considered as res judicata. It may well be doubted whether the Congress could confer any such jurisdiction upon this administrative commission -- certainly, it has not done so."

The court pointed out that decisions as to the validity of patents were understood to be "cases and controversies" within the meaning of the Constitution, 71 F.2d at 464, and observed that "The obvious intent of said section 337 (19 USCA sec. 1337) was not to confer upon the United States Tariff Commission, or upon this court, the power to determine conflicting property rights" with respect to patents.

The legislative history of the Trade Act of 1974, which created ITC, demonstrates with clarity that Congress did not intend that decisions of the ITC in section 1337 proceedings should have preclusive (res judicata) effects with respect to claims within the exclusive jurisdiction of the District Courts. The Senate Report on the bill could not be clearer:

> "7. Res judicata, collateral estoppel. -- Under the Committee

bill, decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 should not serve as res judicata or collateral estoppel in matters where U.S. District Courts have original jurisdiction." Legislative History, P.L. 93-618, Senate Report No. 93-1298, 93d Cong., 2d Sess. (1974), 1974 U.S. Code Cong. & Ad. News at 7212.

Further, at page 7329 of the same legislative history:

"The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action

> by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts."

After establishment of the ITC under the Trade Act of 1974, the Court of Appeals for the Federal Circuit has noted the language just quoted and observed that "Thus, our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals." Tandon Corp. v. U.S. International Trade Commission, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (issue of patent infringement).

In Stevenson v. Grentec, Inc., 652 F.2d 20, 22-23 (9th Cir. 1981), cert. denied 456 U.S. 943, the Court of Appeals for the Ninth Circuit held that a finding of patent validity made by the Court of Customs and Patent Appeals in the course of review of an ITC

proceeding under section 1337 was "not binding on this Court." As will be explained below, the Stevenson decision by the Court of Appeals for the Ninth Circuit is in direct conflict with the decision the Court of Appeals for the First Circuit in the present case. Under Rule 10.1(a) of the Supreme Court, this is a special and important reason for granting the writ.

Because the District Courts have exclusive original jurisdiction of patent cases, 28 U.S.C. 1338(a), a prior decision of patent invalidity by a District Court may bar an infringement claim later asserted before the ITC in a section 1337 proceeding. Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1316 (Fed. Cir. 1983), but the decision of the ITC, whether or not affirmed by an appellate court, cannot have preclusive effects upon an action in a District Court.

The same reasoning is applicable to a claim based upon the antitrust laws of the United States.

III. THE DISTRICT COURTS HAVE EXCLUSIVE JURISDICTION OF ANTITRUST CLAIMS.

Just as the United States District Courts have exclusive jurisdiction with respect to patent claims, they have exclusive jurisdiction over claims based upon violations of the antitrust laws, including any claim based upon section 1 of the Sherman Act, 15 U.S.C. 1.

Persons injured in their business or property by reason of anything forbidden in the antitrust laws may sue to recover damages "in any district court of the United States in the district in which the defendant resides or is found or has an agent," 15 U.S.C. 15(a), and may seek injunctive

relief against threatened loss or damage "in any court of the United States having jurisdiction over the parties," 15 U.S.C. 26.

Although the federal statutes do not in terms grant exclusive jurisdiction over antitrust claims to the District Courts, the statutory provisions noted above have long been construed as granting exclusive jurisdiction to the District Courts. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 379-380 (1985); Freeman v. Bee Machine Co., Inc., 319 U.S. 448, 451 n. 6 (1943); General Investment Co. v. Lake Shore & Michigan Southern Ry. Co., 260 U.S. 261, 287 (1922); Blumenstock Bros. Advertising Agency v. Curtis Publishing Co., 252 U.S. 436, 440 (1920).

Because the horizontal conspiracy antitrust claim asserted by Aunyx as Count VIII of its amended complaint in the District Court was within the exclusive jurisdiction

of the District Court, the ITC had no jurisdiction to decide that claim, and no preclusive effect should be attributed to Aunyx's failure to assert that claim in the ITC proceedings. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 382 (1985); Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314-1315 (Fed. Cir. 1983); Restatement (Second) of Judgments, sec. 26(1)(c), noted with approval in both Marrese and Young Engineers.

IV. THERE IS A DIRECT CONFLICT BETWEEN THE DECISION OF THE COURT OF APPEALS FOR THE NINTH CIRCUIT IN THE STEVENSON CASE AND THE DECISION OF THE COURT OF APPEALS FOR THE FIRST CIRCUIT IN THIS CASE.

In Stevenson v. Grentec, Inc., 652 F.2d 20, 22-23 (9th Cir. 1981), cert. denied 456 U.S. 943, the plaintiff, Stevenson, had received a patent on an improved form of skateboard. He filed a petition with the ITC to exclude from importation infringing skateboards made by others. The ITC found his patent invalid as obvious, but the Court of Customs and Patent Appeals reversed, and ruled it valid. Stevenson also commenced an action for patent infringement in the United States District Court for the Central District of California, which found the patent invalid as obvious. The Court of Appeals

affirmed judgment for the defendants despite the decision of the CCPA:

> "Although the Court of Customs and Patent Appeals (CCPA) found the patent valid, we nonetheless affirm the district court's ruling. To be sure, the decisions of the Court of Customs and Patent Appeals should be given great weight and treated with respect; they are not, however, binding on this Court." 652 F.2d at 22-23.

In the present case, the Court of Appeals for the First Circuit ruled that Aunyx's antitrust claim is barred because of failure to assert it before the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992).

The Stevenson case involved an issue of patent validity and the Aunyx case involves an issue of antitrust law, but both issues

are within the exclusive jurisdiction of the district courts, and it is not possible to reconcile the decisions. The Supreme Court therefore should grant the writ of certiorari to resolve the conflict between the two circuits. See Supreme Court Rule 10.1(a).

This conflict between the circuits was anticipated more than a decade ago by the authors of a perceptive article in the Journal of the Patent Office Society, who noted that the Court of Appeals for the Ninth Circuit had ruled in a manner consistent with the legislative history of section 1337 in the Stevenson case, but that it was uncertain whether the CCPA would concur. "Until such time as both Article III courts have commented on this question, the res judicata issue will continue to be uncertain." Kaye, Lupo and Lipman, The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District

Courts, 64 Journal of the Patent Office Society, 118, 133 (1982).

V. THERE ARE OTHER IMPORTANT REASONS FOR GRANTING THE WRIT OF CERTIORARI.

In addition to the fact that the decision of the Court of Appeals for the First Circuit flies in the face of the legislative history of 19 U.S.C. 1337 and directly conflicts with the decision of the Court of Appeals for the Ninth Circuit in Stevenson, there are other important reasons for granting the writ.

The decision below deprives the petitioners of their right to a jury trial, which is "an essential part of the congressional plan for making competition rather than monopoly the rule of trade." Beacon Theatres, Inc. v. Westover, 359 U.S. 500,

504 (1959); Dairy Queen, Inc. v. Wood, 369 U.S. 469, 472-473 (1962).

The decision below deprives the petitioners of their right to recover treble damages under the antitrust laws, a remedy which never was available to the petitioners in the ITC proceedings. Res judicata should not apply where "The plaintiff was unable to . . . seek a certain remedy or form of relief in the first action because of the limitations on the subject matter jurisdiction of the court or restrictions on their authority to entertain . . . demands for multiple remedies or forms of relief in a single action, and the plaintiff desires in the second action to . . . seek that remedy or form of relief. . . ." Restatement (Second) of Judgments, section 26(1)(c). See Carnation Co. v. Pacific Westbound Conference, 383 U.S. 213, 224 (1966) ("The rights which petitioner claims under the antitrust

laws are entirely collateral to those which petitioner might have sought under the Shipping Act.").

Because the Court of Appeals ruled below that the petitioners had engaged in "claim-splitting" by failing to assert their Sherman Act antitrust claim in the ITC (which had no jurisdiction to hear that claim), the petitioners have been deprived of the opportunity for a "full and fair" opportunity to litigate the claim. Kremer v. Chemical Construction Corp., 456 U.S. 461, 480-481 (1982) ("We have previously recognized that the judicially created doctrine of collateral estoppel does not apply when the party against whom the earlier decision is asserted did not have a 'full and fair opportunity' to litigate the claim or issue.") Compare United States v. Utah Construction & Mining Co., 384 U.S. 394, 422 (1966).

VI. THE RESPONDENT CONSENTED TO THE MAINTENANCE OF TWO SIMULTANEOUS PROCEEDINGS.

Even if it be assumed that the petitioners could have asserted their antitrust claim before the ITC and failed to do so, the doctrine of res judicata should not be applied to bar the antitrust claim, because the respondent consented to the maintenance of simultaneous proceedings before the ITC and before the District Court.

The doctrine of "claim-splitting" is intended to protect a defendant against unnecessary multiple actions for the same matter, and if the defendant does not object to multiple actions, he must be deemed to have consented to splitting the claim. Bradley v. Pittsburgh of Education, 913 F.2d 1064, 1073 (3d Cir. 1990) (defendants did not object to plaintiff's reservation of his

federal claim for litigation in the federal court); Calderon Rosado v. General Electric Circuit Breakers, Inc., 805 F.2d 1085, 1087 (1st Cir. 1986) (". . . a recognized exception to the general rule prohibiting claim splitting is that if the parties agree, or a defendant implicitly assents to a plaintiff splitting his claim, then a judgment in an earlier action which normally would bar the subsequent action will not. . . . And a defendant consents or acquiesces when he fails timely to object."); Restatement (Second) of Judgments, section 26(1)(a).

VII. THE RESPONDENT SHOULD BE ESTOPPED TO CONTEND THAT THE PETITIONERS' ANTITRUST CLAIM WAS WITHIN THE JURISDICTION OF THE ITC.

When the petitioners and staff counsel moved for leave to amend the pleadings in the ITC to assert an additional claim of

horizontal conspiracy, the respondent objected on the grounds that the antitrust claim was not within the jurisdiction of the ITC. Their objection to amendment was upheld by the Administrative Law Judge.

Having asserted that the antitrust claim was not within the jurisdiction of the ITC, and having prevailed on its objections, the respondent should be held estopped to later assert that the antitrust claim is barred by failure to assert it before the ITC. United States v. Levasseur, 846 F.2d 786, 799 (1st Cir. 1988), cert. denied 488 U.S. 894; Patriot Cinemas, Inc. v. General Cinema Corp., 834 F.2d 208, 214 (1st Cir. 1987).

VIII. THE PETITIONERS ARE LIKELY TO PREVAIL IN THE COURT OF APPEALS ON THE MERITS OF THEIR ANTITRUST CLAIM.

The respondent may contend in opposing the granting of the writ that as a matter of antitrust law, the District Court correctly directed entry of judgment for the respondent after directing a verdict for the respondent.

This petition is not the appropriate vehicle to argue the merits of the antitrust claim. It is perhaps sufficient to observe that there is respectable and unquestioned authority for the proposition that the conspiracy between the respondent and its dealers to allocate among dealers the territories in which individual dealers were permitted to sell Canon NP Toner was a per se violation of section 1 of the Sherman Act, 15 U.S.C. 1. Continental Ore Co. v. Union

Carbide & Carbon Corp., 370 U.S. 690, 708 (1962); United States v. Topco Associates, Inc., 405 U.S. 596, 608 (1972). In any case, the importance of granting the writ in order to resolve the issues described above is in no way diminished by the possibility that the Court of Appeals might rule against the petitioners on grounds not considered in the opinion as to which review is sought here.

CONCLUSION

For the reasons set forth above, a writ of certiorari should issue to the United States Court of Appeals for the First Circuit in this matter.

Respectfully submitted,

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APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

No. 91-1758

AUNYX CORPORATION, ET AL.,
Plaintiffs, Appellants,

v.

CANON U.S.A., INCORPORATED,
Defendant, Appellee.

APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE DISTRICT OF MASSACHUSETTS

[Hon. Rya W. Zobel, U.S. District Judge]

Before

Cyr, Circuit Judge,
Campbell and Bownes, Senior Circuit Judges.

Blair L. Perry for appellant.
Richard L. Bond with whom Norman Moloshok, Richard H. Silberberg, Robert G. Manson, Dorsey & Whitney, John J. Curtin, Jr., William N. Berkowitz and Bingham, Dana & Gould were on brief for appellee.

October 21, 1992

CAMPBELL, Senior Circuit Judge. The United States District Court for the District of Massachusetts entered a final judgment in favor of appellee Canon U.S.A., Inc., in a civil antitrust action brought by appellants Aunyx Corporation and Aunyx Business Machines Corporation. Appellants appeal from the judgment as to two of their claims. Because previous proceedings before the International Trade Commission were res judicata in respect to the antitrust claim and because no triable issues remained as to the breach of contract claim, we affirm.

I. BACKGROUND

A. Facts

Aunyx Corporation ("Aunyx Corp.") and Aunyx Business Machines Corporation ("ABM") (collectively "Aunyx") are Massachusetts

corporations located in Hingham, Massachusetts. Robert J. Langone("Langone") is the president and sole shareholder of both corporations. Appellee Canon U.S.A., Inc. ("Canon"), is a New York corporation and a wholly owned subsidiary of Canon, Inc., a Japanese corporation. Only Canon U.S.A. is a party to this appeal.

Among other products, Canon markets a line of photocopy machines known as "New Process" ("NP copiers"). These NP copiers employ a dry black powder made from resins and other coloring agents called "NP Toner" to print copies of documents onto paper. NP Toner is manufactured by Canon. All NP copiers need toner to make copies and for all practical purposes NP copiers can only use NP Toner. While other companies have attempted to make toner suitable for use in NP copiers, they have not successfully marketed any significant amount.

NP Toner is marketed in the United States by Canon through a nationwide network of approximately 500 independent, authorized dealers that sell copiers and toner, and are responsible for repairing and servicing the former.[1] Three of the dealers were owned by Canon, while the others were independent.

In 1977, Canon organized the Copier Dealer Advisory Council ("DAC"). This council consisted of several varying sized and geographically diverse dealers that periodically met with Canon representatives to discuss matters of mutual interest.

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[1] The copiers industry is a service intensive industry. NP copies would last indefinitely if properly serviced and maintained.

Before 1979, Canon used a form of dealership agreement known as a "Manufacturer/Dealer agreement" pursuant to which Canon appoints dealers as nonexclusive dealers of various Canon products. This Manufacturer/Dealer agreement was subject to cancellation upon ninety days notice and did not make any provision relating to the sale of NP Toner or restricting dealers to selling into specific territories. ABM had signed such an agreement with Canon in 1979 ("the 1979 Agreement").

In 1983, Canon introduced a new form of dealership agreement ("the 1983 Agreement") which assigned dealers of NP copiers and NP Toner to specific territories and provided that each dealer could not market products outside its assigned territory. The alleged purpose of the 1983 Agreement was to prevent a practice known as "skating" which basically involved selling products outside the dealer's primary marketing

area. Canon sent Aunyx a copy of the 1983 Agreement for its signature but Aunyx did not sign it.

In the summer of 1985, Aunyx embarked upon a program of selling large amounts of NP Toner, purchased from Canon, to end users throughout the United States. On October 15, 1985, the Vice-President of Canon Copier Division sent a letter to the President of Aunyx, Mr. Langone, advising him that Canon was aware that Aunyx had been purchasing NP Toner from Canon in quantities far in excess of what would be required to maintain the NP copiers it had purchased, and that Aunyx had been selling Canon NP Toner "outside its primary sales area and on a national basis, in violation of Canon's well-known established policy." The letter informed Aunyx that as of October 16, 1985, Canon would limit the amount of NP Toner that Aunyx could buy to no more than 250 cases per month.

B. **Proceedings Below**

On July 15, 1986, Aunyx filed its original complaint in the United States District Court for the District of Massachusetts charging Canon with a myriad of violations. See infra note 3. An amended complaint was filed on June 12, 1987. The original plaintiff was Aunyx Corp., and the original defendants were Canon, Inc., and Canon U.S.A. ABM was added as a plaintiff on the motion of Aunyx Corp. filed on June 12, 1987, and allowed on December 17, 1987.

A further ten-count[2] amended complaint was filed on April 14, 1988 ("the Second Amended Complaint"). The Second Amended

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[2] The complaint contained the following claims:

> Count 1: Monopolization and Attempted Monopolization; Count 2: Exclusive Dealing; Count 3: Violation of the Massachusetts Antitrust Laws; Count 4: Unfair methods of Competition under Massachusetts Law; Count 5: Interference with Contractual Relations; Count 6: Interference with Business Relations; Count 7: Disparagement; Count 8: Horizontal Market Division Among Canon Dealers in Violation of § 1 of the Sherman Act; Count 9: Unlawful Price Discrimination; and Count 10: Breach of Contract.

Complaint dropped Canon, Inc., as a party defendant, leaving as defendant only Canon U.S.A.

On the same day it filed its original complaint, July 15, 1986, Aunyx commenced proceedings before the International Trade Commission ("ITC") in Washington, D.C., against Canon U.S.A. and Canon, Inc., under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337.[3] The district court action

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[3] As written at the time of the commencement of this case, this section provided in relevant part:

> Unfair methods of competition and unfair acts in the importation of articles into the United States, . . . the effect or tendency of which is . . . to restrain or monopolize trade and commerce in the United States, are declared unlaw-

was put "on hold" awaiting the decision of the ITC.

In the ITC proceedings, Aunyx engaged in extensive discovery which included substantial document production, more than a hundred written interrogatories, and the oral depositions of 33 individuals over a period of 70 days. The entire prehearing discovery lasted almost one year.

Roughly eight months after its original filing before the ITC, on March 17, 1987, Aunyx moved to amend its ITC Complaint to add a claim that Canon and its retail dealers had entered into a horizontal conspiracy to divide the United States market for NP toner among the dealers in violation of section 1 of the Sherman Act, 15 U.S.C. § 1. In an order

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ful. . . .

19 U.S.C. § 1337(a) (1980).

entered April 15, 1987, an Administrative Law Judge ("ALJ") denied Aunyx's motion on the ground of untimeliness. The ALJ concluded that the requested amendment "would impose an impossible burden upon the parties to complete their discovery and prepare for hearing." Aunyx never sought review of the denial of its motion to amend.

The ITC's proceedings terminated in an order adverse to Aunyx. Aunyx at first sought review of the ITC's decision in the United States Court of Appeals for the Federal Circuit, but thereafter moved to dismiss its petition for review. Aunyx's motion to dismiss its petition for review of the ITC proceedings was allowed, and the petition was dismissed on August 2, 1988.

Upon completion of the proceedings before the ITC and the dismissal of its review petition before the Federal Circuit, Aunyx reactivated its lawsuit in the district court. On November 22, 1988, Canon

filed a motion for summary judgment. Accompanied by exhibits relating to the ITC proceedings, this motion urged that the ITC proceedings had res judicata effect upon the district court proceedings. On June 6, 1989, District Judge McNaught issued a Memorandum and Order ruling upon the motion for summary judgment. Judge McNaught concluded that Counts 1, 2, 5, 6, 7 and 9 of the Second Amended Complaint had been fully litigated in the ITC case and thus were barred from further consideration by the doctrine of res judicata. As for counts 3 and 4, which asserted claims under state law, Judge McNaught concluded that they were also barred from further consideration by the doctrine of collateral estoppel or issue preclusion. He found, however, that the ALJ's denial of Aunyx's motion to add its related horizontal conspiracy theory set forth in Count 8, and the ALJ's failure to consider the breach of contract claim

presented in Count 10, had deprived Aunyx of the opportunity to fully litigate those claims before the ITC. As a result, he refused to grant summary judgment as to these two counts. The district court entered final judgment on Counts 1 through 7 and Count 9 on August 17, 1989. No appeal to this court has been taken from that judgment.

On June 8, 1990, Canon filed a motion for summary judgment seeking dismissal of all of Count 8 and of Count 10 to the extent it alleged a breach of contract arising form Canon's restrictions on Aunyx's toner purchases. On September 11, 1990, Judge McNaught refused to dismiss Count 8 but allowed the motion for summary judgment in respect to part of Count 10. Due to the anticipated retirement of Judge McNaught, the case was reassigned to Judge Rya W. Zobel on December 5, 1990.

A jury trial on Count 8 began on March 11, 1991, and continued for six days. On March 19, 1991, Judge Zobel directed a verdict in favor of Canon on Count 8 (horizontal conspiracy), concluding that Aunyx did not present evidence from which a jury could infer antitrust injury. Trial on what remained of Count 10 was scheduled to commence on June 10, 1991. On June 4, 1991, the district court ordered the plaintiffs to notify the defendant and the court of their contentions as to the issues remaining to be tried. The plaintiffs did so the following day.

On June 11, 1991, the district court published a "Further Order Concerning Count [10]" stating that nothing remained to be tried and ordering that judgment be entered for Canon on Count 10. Final judgment was entered by the district court on Counts 8 and 10 on June 27, 1991. This appeal followed.

II. DISCUSSION

A. Count 8: Res Judicata

Although the district court did not consider the issue of whether the ITC proceedings had res judicata effect on Count 8 when it granted a directed verdict in Canon's favor, we do so now, mindful that "we need not limit ourselves to the exact grounds for decision utilized below. We are free, on appeal, to affirm a judgment on any independently sufficient ground." Polyplastics, Inc. v. Transconex, Inc., 827 F.2d 859, 860-61 (1st Cir. 1987); see also Medina-Muñoz v. R.J. Reynolds Tobacco Co., 896 F.2d 5, 7 (1st Cir. 1990); Garside v. Osco Drug, Inc., 895 F.2d 46, 49 (1st Cir. 1990).

The doctrine of res judicata bars all parties and their privies from relitigating issues which were raised or could have been raised in a previous action, once a court has entered a final judgment on the merits

in the previous action. United States v. Alky Enterprises, Inc., 969 F.2d 1309, 1314 (1st Cir. 1992). The essential elements of res judicata, or claim preclusion, are (1) a final judgment on the merits in an earlier action; (2) an identity of parties or privies in the two suits; and (3) an identity of the cause of action in both the earlier and later suits. Kale v. Combined Insurance Co. of America, 924 F.2d 1161, 1165 (1st Cir.), cert. denied, 112 S. Ct. 69 (1991).

In Manego v. Orleans Board of Trade, 773 F.2d 1, 5 (1st Cir. 1985), cert. denied, 475 U.S. 1084 (1986), we adopted the "transactional" definition of res judicata of the Restatement (Second) of Judgments § 24 which provides:

> (1) When a valid and final judgment rendered in an action extinguishes the plaintiff's claim pursuant to the rules of

merger or bar . . . , the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose.

(2) What factual grouping constitutes a "transaction," and what groupings constitute a "series," are to be determined pragmatically, giving weight to such considerations as whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties' expectations or business understanding or usage.

Restatement (Second) of Judgments § 24 (1982). The fact that different legal theories are presented in each case does not mean that the same transaction is not behind each. Manego v. Orleans Board of Trade, 773 F.2d at 6. "[S]o long as different theories of recovery, however prolific, derive from the same cause of action, the requisite identity is achieved if, and to the extent that, all such theories concern 'the same operative nucleus of fact.'" Kale v. Combined Insurance Co. of America, 924 F.2d at 1166.

Normally, decisions of administrative agencies are entitled to res judicata effect when the agency acted in a judicial capacity. University of Tennessee v. Elliott, 478 U.S. 788, 797-798 (1986); United States v. Utah Construction & Mining Co., 384 U.S. 394, 421-422 (1966); McCuin v. Secretary of Health & Human Servs., 817 F.2d 161, 172 (1st Cir. 1987); Restatement

(Second) of Judgments § 83 (1982).[4] The

[4] Section 83 of the Restatement (Second) of Judgments provides:

> Adjudicative Determination by Administrative Tribunal
>
> (1) Except as stated in Subsections (2), (3), and (4), a valid and final adjudicative determination by an administrative tribunal has the same effects under the rules of res judicata, subject to the same exceptions and qualifications, as a judgment of a court.
>
> (2) An adjudicative determination by an administrative tribunal is conclusive under the rules of res judicata only insofar as the proceeding resulting in the determination entailed the essential elements

of adjudication, including:

(a) Adequate notice to persons who are to be bound by the adjudication, as stated in § 2;

(b) The right on behalf of a party to present evidence and legal argument in support of the party's contentions and fair opportunity to rebut evidence and argument by opposing parties;

(c) A formulation of issues of law and fact in terms of the application of rules with respect to specified parties concerning a specific transaction, situation, or status, or a specific

series thereof;

(d) A rule of finality, specifying a point in the proceeding when presentations are terminated and a final decision is rendered; and

(e) Such other procedural elements as may be necessary to constitute the proceeding a sufficient means of conclusively determining the matter in question, having regard for the magnitude and complexity of the matter in question, the urgency with which the matter must be resolved, and the opportunity of the parties to obtain evidence

and formulate legal contentions.

(3) An adjudicative determination of a claim by an administrative tribunal does not preclude relitigation in another tribunal of the same or a related claim based on the same transaction if the scheme of remedies permits assertion of the second claim notwithstanding the adjudication of the first claim.

(4) An adjudicative determination of an issue by an administrative tribunal does not preclude relitigation of that issue in another tribunal if according preclusive effective to determination of the issue would be incompatible

Second Circuit has held that ITC decisions in Section 337 proceedings are entitled to res judicata effect. Union Manufacturing Co. v. Han Baek Trading Co., 763 F.2d 42, 45-46 (2d Cir. 1985).

In this case all three requirements for res judicata have been satisfied.

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with a legislative policy that:

> (a) The determination of the tribunal adjudicating the issue is not to be accorded conclusive effect in the subsequent proceedings; or
>
> (b) The tribunal in which the issue subsequently arises be free to make an independent determination of the issue in question.

First, Aunyx's failure to appeal from the ITC's order, which decided Aunyx's claim on the merits, rendered it final. The identity of parties requirement was also satisfied, even though ABM was not a party to the ITC proceedings. Aunyx had adequate interest in litigating ABM's interests before the ITC. Moreover, Aunyx explicitly represented to the district court that ABM was its alter ego.[5]

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[5] In its motion to add ABM as a plaintiff in the district court action against Canon, Aunyx stated:

> The grounds for this motion are that the corporate interrelationship of Aunyx Corporation [Aunyx] and Aunyx Business Machines Corporation [ABM] is such that each may be considered the alter ego of the other in their participation in

As for the requirement of identity of the cause of action, we are satisfied that the claims asserted in the ITC action and in the subsequent action in the district court were sufficiently related to satisfy the transactional analysis variant of the res judicata doctrine. The gist of Aunyx's claim in the district court action was that Canon and its dealers adopted the 1983 agreement to allocate markets for Canon NP Toner. That was the same claim made before the ITC. Both claims were founded upon the same transaction and arose out of the same nucleus of operative fact. They sought redress for essentially the same alleged wrong notwithstanding any differences in remedies sought or theories of recovery pleaded. A second action may be barred

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marketing of toner in interstate commerce.

under the doctrine of res judicata even though a different legal theory or source of law is involved. See 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4411 at 86-87 (1981).

The record reflects that Aunyx knew enough about the facts of this case to have been able to assert its horizontal conspiracy claim at the outset before the ITC.

> It is immaterial that the plaintiff in the first action sought to prove the acts relied on in the second action and was not permitted to do so because they were not alleged in the complaint and an application to amend the complaint came too late.

Restatement (Second) of Judgments § 25 cmt. b (1982). Thus, we hold that Count 8 is barred, as a matter of law, by res

judicata. Aunyx's action under Count 8 being barred by res judicata, we need not consider the remaining issues related to that count raised by Aunyx.

B. Count 10: Pretrial Dismissal

We turn now to whether Judge Zobel erred in dismissing before trial Aunyx's claim under Count 10. We think not. After a pretrial conference on May 23, 1991, the parties submitted memos to the court regarding the issues remaining to be tried under Count 10. Aunyx identified three issues, two of which were based on an alleged right to purchase NP Toner from Canon. Canon disagreed, and on June 4, 1991, Judge Zobel wrote that the claims under Count 10 which related to an alleged right to purchase NP Toner had been dismissed by Judge McNaught on September 11, 1990, leaving only the issue of the lawfulness of Canon's unilateral termination of the 1979 Agreement. Judge Zobel ordered

Aunyx to again notify the defendant and the court of its contentions as to the issues remaining to be tried with respect to Count 10. Specifically, because Aunyx had already admitted that it had failed to pay Canon $70,000 due under the 1979 Agreement, the judge asked Aunyx to provide some evidence that "plaintiff's failure to pay was attributable to some unlawful conduct of defendant not heretofore tried or resolved." In response, Aunyx again argued that it had contractual rights to purchase NP Toner under an "extended course of dealings," and that the prior grant of summary judgment decided only that Aunyx had no express contractual right to purchase toner under the 1979 Agreement. Judge Zobel rejected this argument and subsequently dismissed what remained of Count 10 because Aunyx failed to offer any evidence to show that Canon unlawfully terminated the 1979 Agreement.

Aunyx's sole argument on appeal is that Judge Zobel misconstrued Judge McNaught's September 11, 1990, grant of partial summary judgment. Because Judge Zobel's pretrial order of June 11, 1991, decided all remaining issues in Canon's favor, we treat the order as a grant of summary judgment. See 3 James Wm. Moore et al., Moore's Federal Practice ¶ 16.21, at 16-113 (2d ed. 1992). Aunyx claims that Judge McNaught never decided whether it had an implied right to buy toner, outside of its rights under the 1979 Agreement. In contrast, Judge Zobel interpreted that ruling as holding that Aunyx had no contractual right, express or implied, to purchase toner from Canon, leaving only the issue of whether Canon's termination of Aunyx's dealership was a breach of the 1979 Agreement.

We find no support for Aunyx's begrudging interpretation of Judge McNaught's

grant of summary judgment. Count 10 in the Second Amended Complaint read:

> Canon has breached the terms of its contract with ABM in that it has applied geographic scope limitations not provided in the contract and has applied quantity limitations of ERMT [toner] not authorized by the contract, both of which contributed to monetary losses by ABM and Aunyx and by placing ABM in a financial condition such that it has reduced ABM's ability to pay for ERMT supplied in limited quantities under the contract. Canon has without cause unilaterally cancelled the contract.

Thus, Count 10 raised two separate claims: (1) Canon breached its contract by limiting ABM's right to buy unlimited quantities of toner and to distribute the toner without

geographic limitation; and (2) Canon breached its contract with Aunyx by terminating Aunyx's dealership. On June 6, 1990, Canon moved for summary judgment on Count 10 "to the extent it asserts a breach of contract arising from the defendant's alleged failure to supply plaintiffs with unlimited quantities of Canon-brand toner for use in Canon NP 210-500 Copiers." Canon argued on the motion that Aunyx had no contract right, either express or implied, to purchase toner from Canon. In response, Aunyx conceded that it had no "express contractual right to purchase any particular quantities of NP Toner from Canon (or, for that matter, to purchase any NP Toner at all from Canon)." Aunyx argued, however, that it had a right to purchase toner from Canon in quantities "not limited by reason of an unlawful combination or conspiracy between Canon and others."

On September 11, 1990, Judge McNaught granted Canon's motion for partial summary judgment as to Count 10. Citing his previous order denying Aunyx's request for a preliminary injunction, he wrote:

> there is "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide. There is nothing in the dealings [between Canon and Aunyx] which allows plaintiff to demand to be treated as a wholesale rather than as a retail dealer of copiers." Nothing presented by way of affidavit, exhibits or memorandum has persuaded me that my earlier decision was incorrect. The 1979 agreement dealt with copiers, not toner. Defendant's argument is

> simply unconvincing that regardless of the absence of an express provision about supplies, the contract embodied the obligation of good faith and fair dealing.

We interpret Judge McNaught's ruling as deciding that Aunyx had no contractual right to purchase toner from Canon arising (a) from the 1979 Agreement, (b) from any obligation of good faith and fair dealing in that agreement, or (c) from the dealings between the parties. No objection was made to Judge McNaught's determination at the time, nor have appellants put forward any argument in the course of this appeal challenging it. Accordingly, we will not review it for error. See Brown v. Trustees of Boston Univ., 891 F.2d 337, 352 (1st Cir. 1989), cert. denied, 495 U.S. 937 (1990) (holding that potential issues not supported by argument in appellant's brief

are deemed abandoned); Zanditon v. Feinstein, 849 F.2d 692, 702 (1st Cir. 1988) (stating that a grant of summary judgment not timely objected to will not be reviewed on appeal); Clauson v. Smith, 823 F.2d 660, 666 (1st Cir. 1987) ("In the absence of extraordinary circumstances, . . . we have regularly declined to consider points which were not seasonably advanced below.").

As Judge McNaught had dismissed all of Aunyx's claims based on a contractual right to purchase toner, supra, the only issue that remained under Count 10 on the eve of the scheduled trial was whether Canon's termination of Aunyx's dealership was, separately, a breach of the 1979 Agreement. Judge Zobel ordered judgment in favor of Canon on Count 10 without a trial on that issue. Despite Judge Zobel's request, Aunyx offered no evidence to create a genuine issue of material fact as to whether Canon's termination of the contract was

lawful. The only justification offered - that Canon had violated antitrust laws - was rendered impotent when Canon won a directed verdict on the antitrust claims. We hold that Canon was entitled to prevail on Count 10 as a matter of law, and that Judge Zobel committed no error in ordering judgment in favor of Canon on Count 10 without a trial.

The judgment of the district court is affirmed. Costs to appellee.

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES
COMPANY,

Plaintiffs,

v. CIVIL ACTION
NO. 86-2083-Mc

CANON, U.S.A.,
INCORPORATED,

Defendant.

MEMORANDUM AND ORDER

June 6, 1989

McNAUGHT, D. J.

This action is before the Court on defendant Canon U.S.A. Inc.'s motion for summary judgment.

Plaintiff, Aunyx Corporation and Aunyx Business Machines Corporation (collectively Aunyx), was an authorized Canon dealer, selling Canon photocopier machines and Canon-brand toner in Eastern Massachusetts from 1976 through July of 1988. Canon makes a NP series of copiers employing a sophisticated toner projection development

system which uses a dry, electrically-resistive monocomponent toner (ERMT). Canon produces the only toner functional in this line of their copiers. In 1982, Aunyx developed a dry toner compatible with the Canon NP copiers. Aunyx claims it was unsuccessful in marketing their ERMT or "dry toner" as Canon attempted to monopolize the sales of such toner through coercion of its dealers and disparagement of Aunyx as a competitor.

On July 15, 1986, Aunyx filed this action and a complaint with the International Trade Commission (ITC) alleging Canon U.S.A., Inc. (Canon) engaged in unfair acts and methods of competition. The ITC initiated an investigation, followed by an eleven-day evidentiary hearing before an administrative law judge (ALJ). The ALJ considered the testimony of forty-three witnesses, over 1,000 exhibits and eighty-four written statements and determined that

Canon had disparaged competing ERMT producers and their products in such a manner as to restrain or monopolize trade and commerce in violation of 19 U.S.C. § 1337. On appeal the ITC reversed the finding of the ALJ concluding that the ALJ had improperly shifted the burden of proof to Canon. The ITC held that had the burden of proof properly been on complainant Aunyx, the evidence was insufficient to establish an effort by Canon to maintain a monopoly.

Aunyx appealed the ITC decision to the United States Court of Appeals for the Federal District, but moved for a voluntary dismissal to pursue their action pending before this Court.

Canon brings this motion for summary judgment asserting that the ITC decision estops Aunyx from relitigating these claims. Canon contends that under settled principles of collateral estoppel and res

judicata the decision of the ITC constitutes adjudication that bars relitigation of claims that were fully resolved or could have been addressed in the ITC proceeding. Union Manufacturing Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42 (2d Cir. 1985) (holding ITC adjudication has res judicata effect). The Court's review of Aunyx's second amended complaint and the decision of the ALJ reveals that Count I (Monopolization and Attempted Monopolization), Count II (Exclusive Dealing), Count (Interference with Contractual Relations), Count VI (Interference with Business Relations), Count VII (Disparagement), and Count IX (Unlawful Price Discrimination) were all claims fully litigated in the ITC action. Apart from these claims previously resolved by the ITC, Aunyx also pleads Count VIII (Conspiracy in Restraint of Trade), Count X (Breach of Contract), and two additional claims that

Canon has violated Massachusetts trade regulation statutes.

Aunyx opposes the motion for summary judgment claiming there are many disputed issues of material fact. First, Aunyx argues that ABM was not a party to the ITC proceeding, that Aunyx and ABM are distinct entities, and consequently, ABM is not bound by the ITC ruling against Aunyx. Plaintiff also asserts that many issues raised in its second amended complaint were not fully litigated in the ITC forum. Aunyx notes that antitrust cases require cross-examination of witnesses to determine motive and intent. Lacking the ability to examine Canon's witnesses, Aunyx argues that the ITC proceeding did not provide it proper inquiry into these particularly relevant issues. See State of N.C. v. Chas. Pfizer & Co., Inc., 537 F.2d 67, 74 (4th Cir. 1976) (holding FTC hearing not substantially similar to judicial proceeding

as to bar relitigation under theories of res judicata). Aunyx contends that, due to the limited scope and strict 18-month time limitation of the ITC proceeding, its discovery in this action was limited and they are entitled to proceed under the civil rules in this Court.

First, Aunyx's claims regarding discovery restraints are not compelling as the discovery methods available under 19 CFR § 210.30 to § 210.37 and ALJ Mathias' hearing rules provide a full exploration of "information reasonably calculated to lead to the discovery of admissible evidence." Fed. R. Civ. P. 26(b)(1). Further, the parties to this action stipulated that "all of the discovery conducted of the parties in the ITC proceeding would be deemed to constitute discovery in the present action," making any request for additional discovery moot (see Stipulation and Order filed June 30, 1987).

Although the amended counts pursuant to Massachusetts trade regulations obviously were not considered in the ITC proceeding, collateral estoppel or issue preclusion "bars relitigation, even in an action on a different claim, of all 'issues of fact or law that were actually litigated and necessarily decided' in the prior proceeding." Americana Fabrics, Inc. v. L. & L. Textiles, Inc., 754 F.2d 1524, 1529 (9th Cir. 1985), citing Segal v. American Tel. & Tel. Co., 606 F.2d 842, 845 (9th Cir. 1979). As the state antitrust and unfair competition claims are interpreted substantially the same as the federal antitrust laws considered before the ITC, these claims are precluded. See Winter Hill Frozen Foods & Serv. v. Haagen-Dazs, 691 F. Supp. 539, 543 (D. Mass. 1988).

These principles apply likewise to administrative proceedings where the agency "is acting in a judicial capacity and

resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate." United States v. Utah Construction Co., 384 U.S. 394, 421-22 (1966). See also Union Mfg. Co., Inc. v. Han Back Trading Co., Ltd., 763 F.2d 42, 44-46 (2d Cir. 1985) (concluding ITC adjudications of unfair trade practices are entitled res judicata effect). It is important for the Court to determine, however, that the issues raised and procedures available to the parties at the ITC proceeding are basically equivalent to those offered by this Court. See Eisel v. Columbia Packing Company, 181 F. Supp. 298, 301 (D. Mass.) (J. Wyzanski opines that res judicata applies where plaintiff has had a fair opportunity "procedurally, substantively, and evidentially to pursue his claim the first time"). In that regard, Aunyx claims that they were unable to cross-examine witnesses.

Again, the Court does not find the plaintiffs' argument persuasive. According to the ALJ's ground rules for the ITC hearing, all witnesses who presented witness statements were subject to cross-examination. See ITC Investigation No. 337-TA-253, 8/21/86 Order at pp. 5, 10, 12.

Canon asserts that Aunyx is precluded from litigating Counts VIII and X in this forum. The claim pleaded in Count VIII was the subject of a proposed amendment to the complaint and Notice of Investigation at the ITC proceeding. Canon contends that as the ALJ denied introduction of the horizontal conspiracy claims, Aunyx is estopped from pleading such allegations here. The Court disagrees.

Ignoring the substantive arguments of the parties concerning the merit or appropriateness of the claim, the ALJ refused to entertain plaintiffs' additional conspiracy allegation because "the requested amendment

would wreak substantial changes in the scope and direction of this investigation. The amendment would impose an impossible burden upon the parties to complete their discovery and prepare for hearing." See ITC Investigation No. 337-TA-253 ALJ's Order No. 20 (Order Denying Joint Motion to Amend Complaint and Notice of Investigation). This clearly is a case where Aunyx was unable to "fully litigate" a related claim due to the administrative procedure's inability to accommodate an allegation that probably would have been entertained in this forum. Accordingly, summary judgment on plaintiffs' Count VIII, alleging Conspiracy in Restraint of Trade, would be inappropriate.

Count X, alleging breach of contract also, arguably, falls outside the focus of the ITC investigation. The ITC investigated and reviewed Aunyx's complaint regarding unfair methods of competition and

unfair acts in Canon's importation and sale of toner. The Court's review of the ALJ and Commission's Orders, however, does not reveal any significant consideration of the contract issues presently raised by Aunyx. As a result, summary judgment on Count X is denied.

The Court finds that there are material facts in dispute and issues included in defendant's counterclaims that are contingent upon the ultimate soundness of the persevering counts contained in plaintiffs' complaint. Accordingly, judgment on defendant's counterclaims is denied.

\s\JOHN J. McNAUGHT

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES
CORPORATION,

Plaintiffs,

v. CIVIL ACTION
NO. 86-2083-Mc

CANON, U.S.A.,
INCORPORATED,

Defendant.

**MEMORANDUM AND ORDER
GRANTING DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT IN PART AND
DENYING DEFENDANT'S MOTION IN PART**

September 11, 1990

McNAUGNT, D.J.

Plaintiff Aunyx Corporation (and Aunyx Business Machines Corporation), "Aunyx," was a Canon copier dealer, having entered into a contract on March 1, 1979. By virtue of that agreement, Aunyx served as a nonexclusive authorized dealer of Canon copiers in Plymouth County, Massachusetts.

The agreement addressed the sale of products, not supplies. The principal product involved in this action is Canon NP toner.

Four years later, in May, 1983, Canon distributed new agreements to all Canon NP copier dealers which imposed territorial restrictions on dealers. It was created with the participation of Canon's Dealer Advisory Council, a group of independent Canon dealers who met two or three times a year to discuss issues relating to Canon distributorships. One such issue was "skating," or the selling of products and supplies to end-users outside of a dealer's assigned territory. A letter dated August 3, 1982 to Canon NP-Copier Dealers from Haruo Murase, then Vice President and General Manager of Canon's Copier Division, stated that at the July 15, 1982 meeting of the Council, the members "urged Canon to adopt a new form of Manufacturer/Dealer Agreement to combat these adverse effects

by specifically prohibiting skating, selling to end-users outside of the area of the Dealer's service capability and opening unauthorized branches." Further discussions about this topic ensued among Canon, the Council, and the National Office Machines Dealers Association (NOMDA). According to various documents, the 1983 contract was the culmination of these meetings. Aunyx was the only dealer which refused to sign the new agreement.

Despite that refusal, everything seemed to go along smoothly for Aunyx and Canon until 1985 when Canon sent plaintiff a letter stating that toner would no longer be provided in quantities exceeding the reasonable needs of the Canon NP copiers. Two days later, Aunyx was told that it could purchase only up to 250 cases of toner per month.

Canon ultimately terminated Aunyx's 1979 dealer agreement. At that point,

there was an exchange of letters between plaintiff and defendant, one of which stated Aunyx's intention to order a minimum of 10,000 cases of toner per month. That amount far surpassed any previous toner order submitted by Aunyx.

The matter is before the Court on defendant's summary judgment motion on the remaining two counts of plaintiff's complaint. In Count VIII, Aunyx charges Canon with horizontal conspiracy. Count X is for breach of the March, 1979 contract.

The motion is granted as to Count X. As I said in my July 21, 1988 order denying preliminary injunctive relief to Aunyx, there is "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide. There is nothing in the dealings . . . which allows plaintiff to demand to be treated as a wholesaler rather than as a retail dealer of copiers." Nothing

presented by way of affidavit, exhibits or memorandum has persuaded me that my earlier decision was incorrect. The 1979 agreement dealt with copiers, not toner. Defendant's argument is simply unconvincing that regardless of the absence of an express provision about supplies, the contract embodied the obligation of good faith and fair dealing.

Count VIII is for horizontal conspiracy. Canon initially opposes this claim based on the doctrine of issue preclusion where an Administrative Law Judge in a proceeding brought by Aunyx before the International Trade Commission (ITC) determined that Canon's conduct did not unreasonably restrict trade. I will reiterate my June 6, 1989 order, that plaintiff is not estopped from bringing this claim where the ITC expressly precluded Aunyx from amending its complaint to include horizontal conspiracy.

Plaintiff charges Canon with aiding a conspiracy among Canon dealers to divide the market within the United States for Canon-brand NP 210-500 Toner. There are two facets to plaintiff's claim. First, Aunyx alleges that the conspiracy involved the implementation of the 1983 agreement which restricted dealers to selling within a designated territory. The second part of the conspiracy, according to plaintiff, was the October 1985 policy establishing maximum amounts of NP 210-500 Toner dealers could purchase. Plaintiff claims that the latter policy was created to prevent Aunyx from selling NP 210-500 toner outside its territory.

Section 1 of the Sherman Act does not prohibit independent action; only concerted action is forbidden. Business Electronics Corp. v. Sharp Electronics Corp., 485 U.S. 717 (1988). To survive defendant's motion for summary judgment, Aunyx must "present

evidence 'that tends to exclude the possibility' that the alleged conspirators acted independently." Matsushita Electric Industrial Co., Ltd. v. Spray-Rite Service Corp., 465 U.S. 752, 764 1984).

There is no question that the 1983 dealer agreements were developed with the participation of the Canon Dealers Advisory COuncil. Numerous documents attest to that fact. The real issue is whether Canon's later action restricting Aunyx to 250 cases of NP Toner per month was a unilateral policy developed by Canon or whether, as stated in plaintiff's memorandum of law, the quota was instituted "in furtherance of the original conspiracy."

We know that the territorial restrictions incorporated within the 1983 agreements were imposed with the tacit participation of the Dealers Advisory Council and the National Office Machines Dealers Association. We also know that in Canon's

letter informing plaintiff that 250 cases of Toner NP-210 would be the maximum allowable monthly purchase, Murase stated "it has come to our attention that 'Canon Brand Toner' is being sold by Aunyx outside of its primary sales area and on a national basis, in violation of Canon's well-known established policy."

Murase states that the decision to limit Aunyx to 250 cases of toner per month was made independently, by him, without dealer participation. He says that there is no connection between the development of the 1983 agreements and his decision in 1985 to restrict Aunyx's sales of toner. A horizontal agreement to divide territories, however, is per se illegal. Business Electronics Corp. v. SHarp Electronics Corp., 485 U.S. 717, 735 (1988). Continental T.V., Inc. v. GTE Sylvania Inc., 433 U.S. 36, 58 n. 28 (1977). United States v. Topco Associates, Inc., 405 U.S. 596, 608

(1972). That is precisely what plaintiff claims here.

This Court need not address the matter of whether Canon has committed a per se violation of section 1 of the Sherman Act. There is enough evidence in the record that "tends to exclude the possibility of independent action." Summary judgment, therefore, must be denied on Count VIII.

\s\JOHN J. McNAUGHT
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

CIVIL ACTION NO. 86-2083-Z

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES CORPORATION

vs.

CANON U.S.A., INCORPORATED

MEMORANDUM AND ORDER

ZOBEL, D.J.

Count X of the complaint asserts a claim for breach of contract. The parties disagree about the triable issues remaining under that count. Judge McNaught held on plaintiff's motion for a preliminary injunction that the contract in question, the 1979 Agreement between the parties, "dealt with copiers, not with toner (ink)." He further found "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide." On defendant's

motion for summary judgment, Judge McNaught reiterated his earlier decision: "The 1979 agreement dealt with copiers, not toner." That is the law of the case.

Since the contract did not deal with toner, it cannot have been breached by defendant's insistence on geographic or quantity limitations in the sale of toner. Accordingly, even if plaintiff is correct that Count X alleges three separate breaches, two of them have been ruled out as they pertain only to toner.

There remains the claim for unilateral termination of the contract. Plaintiff acknowledges that defendant had the right to terminate the agreement if plaintiff "became delinquent," and that it had failed to pay some $70,000, which it admittedly owes. Thus, the only possible issue to be tried is whether plaintiff's failure to pay was attributable to some unlawful conduct

of defendant not heretofore tried or otherwise resolved. Plaintiff shall notify defendant and the Court no later than June 5, 1991, of its contentions in that regard.

June 4, 1991

DATE

/s/ Rya W. Zobel

DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

CIVIL ACTION NO. 86-2083-Z

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES CORPORATION

vs.

CANON U.S.A., INCORPORATED

FURTHER ORDER CONCERNING COUNT X

ZOBEL, D.J.

Throughout the litigation, plaintiffs have taken the position that Count X pertains to the 1979 contract only. The Court's decisions throughout the litigation accepted plaintiff's position as to the reach of Count X. Thus, it is also the law of the case that Count X pertains to the 1979 contract only.

Since plaintiffs' memorandum, filed June 5, 1991, does not respond to the Court's Order of June 4, 1991, to detail any "unlawful" conduct of defendant to

justify plaintiffs' failure to pay amounts admittedly owed to defendant, nothing remains to be tried. Accordingly, it is Ordered that judgment be and it is hereby entered for defendant on Count X.

June 11, 1991 _____

DATE /s/ Rya W. Zobel

DISTRICT JUDGE

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,	)	
Plaintiffs,	)	
-against-	)	CIVIL ACTION NO. 86-2083-Mc
CANON, U.S.A., INCORPORATED,	)	
Defendant.	)	

FINAL JUDGMENT ON COUNTS VIII AND X OF THE SECOND AMENDED COMPLAINT

WHEREAS, plaintiffs' Complaint As Amended April 13, 1988 ("Second Amended Complaint") set forth ten numbered claims against the defendant; and

WHEREAS, in its Answer to the Second Amended Complaint, the defendant asserted counterclaims against the plaintiffs; and

WHEREAS, on June 6, 1989, the Court granted summary judgment in favor of the

defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint; and

WHEREAS, on July 21, 1989, the Court directed that final judgment be entered in favor of the defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint, pursuant to Fed. R. Civ. P. 54(b), the Court having certified that there was no just reason for delay in entering final judgment on those counts; and

WHEREAS, on August 17, 1989, final judgment was entered in favor of the defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint; and

WHEREAS, on September 11, 1990, the Court granted summary judgment in favor of the defendant on so much of Count X of the Second Amended Complaint as asserted that

the defendant committed a breach of contract by imposing limitations on toner it would sell to plaintiff Aunyx Business Machines Corporation, thereby leaving for resolution in this action (1) Count VIII of the Second Amended Complaint; (2) the remainder of Count X of the Second Amended Complaint, asserting that the defendant committed a breach of contract by unilaterally terminating the copier dealer agreement between the defendant and plaintiff Aunyx Business Machines Corporation; and (3) the defendant's counterclaims against the plaintiffs; and

WHEREAS, on March 11, 1991, Count VIII of the Second Amended Complaint came on for trial before the Court and a jury; and

WHEREAS, on March 19, 1991, the Court, on motion of the defendant, at the close of the evidence offered by the plaintiffs, directed a verdict for the defendant on Count

VIII of the Second Amended Complaint pursuant to Fed. R. Civ. P. 50(a); and

WHEREAS, on May 23, 1991, the Court held a pre-trial conference concerning the scope of the Count X issues remaining for disposition, and directed the parties to submit memoranda with respect thereto; and

WHEREAS, the Court thereafter received and considered memoranda from the parties concerning the scope of the Count X issues remaining for disposition, and whether there was a genuine issue to be tried concerning the remainder of Count X; and

WHEREAS, on June 11, 1991, the Court ordered that judgment be entered in favor of the defendant on Count X of the Second Amended Complaint; and

WHEREAS, none of the plaintiffs' claims remain to be tried; and

WHEREAS, the defendant has agreed to dismiss its counterclaims against the plaintiffs if and when (1) plaintiffs do

not appeal from the final judgment dismissing Counts VIII and X of the Second Amended Complaint or (2) the final judgment dismissing Counts VIII and X is affirmed in its entirety on appeal; and

WHEREAS, the entry of final judgment in favor of the defendant on Counts VIII and X of the Second Amended Complaint may obviate the need for further consideration by the Court and the parties of the defendant's counterclaims, and thereby promote judicial economy; and

WHEREAS, the Court therefore finds that there is no just reason for delay in entering final judgment in favor of the defendant on Counts VIII and X of the Second Amended Complaint; it is

ORDERED AND ADJUDGED, that final judgment is hereby entered in favor of the defendant on Counts VIII and X of the Second Amended Complaint; and it is further

ORDERED AND ADJUDGED, that the defendant recover from the plaintiffs its taxable costs.

June 27, 1991

DATE

/s/ Rya W. Zobel

UNITED STATES DISTRICT JUDGE

UNITED STATES
INTERNATIONAL TRADE COMMISSION
Washington, D. C. 20436

In the Matter of	)	
CERTAIN ELECTRICALLY RESISTIVE MONOCOMPONENT TOWER AND "BLACK POWDER" PREPARATIONS THEREFOR	)	Investigation No. 337-TA-253

COMMISSION ACTION AND ORDER

Action

Having considered the ID, the submissions of the parties, and the record in this investigation, we determine to review and reverse as erroneous the ID's finding that a violation of section 337 has occurred, and to terminate this investigation, based on a finding of no violation of section 337. We further determine to take the following action with respect to the ID:

(1) To review and affirm the ID's conclusion that Canon's warranty provisions

did not violate section 337. We do not review the ID's finding that the warranty provisions were not an unreasonable restraint of trade, nor the implicit finding that the warranties did not constitute exclusionary conduct.

(2) Not to review the ID's findings of no coercion of dealers, although we note that the sale of OE Canada allegedly lost by Aunyx was beyond the scope of the Commission's subject matter jurisdiction, because that alleged lost sale did not concern the importation or sale of an article in the United States.

(3) To review and affirm the ID's finding that there was insufficient evidence to establish any exclusive dealing by Canon that has the effect or tendency to restrain or monopolize trade and commerce in the United States.

(4) To review and modify the ID's legal conclusions with respect to Aunyx's

business tort allegations, although we affirm the ID's conclusion that no violation of section 337 resulted.

(5) Not to review the balance of the ID, which becomes the determination of the Commission.

Order

Accordingly, it is hereby ORDERED that -

1. The ID is reviewed and reversed as to the finding that a violation of section 337 exists.
2. The ID is reviewed and affirmed or reviewed and modified with respect to the issues specified above.
3. The remainder of the ID is not reviewed, and the petitions for review, to the extent they requested review of issues not reviewed, are denied to that extent.

4. The IA's motion for leave for late filing of his brief on remedy, the public interest, and bonding is granted.

5. Aunyx's letter of January 19, 1988 is rejected as untimely.

6. Canon's motion (Motion No. 253-65) to exclude from Aunyx's response to Canon's petition for review matters not contained in the record is granted, but its request to supplement the record is denied.

7. The Secretary shall serve copies of the Commission's opinion and this Commission Action and Order upon each party of record to this investigation and publish notice thereof in the Federal Register.

By order of the Commission.

/s/ Kenneth R. Mason

Secretary

Issued: February 22, 1988

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

AUNYX CORPORATION,

Appellant,

v.

UNITED STATES INTERNATIONAL
TRADE COMMISSION,

Appellee,

CANON, INC. AND CANON U.S.A., INC.,

Intervenors.

ON MOTION

O R D E R

Upon consideration of the unopposed motion of Aunyx Corporation to voluntarily dismiss its appeal,

IT IS ORDERED THAT:

(1) The motion is granted and the appeal is dismissed.

(2) All parties to bear their own costs.

FOR THE COURT

8/2/88 /s/Francis X. Grindhart

Clerk

cc: Harvey M. Applebaum, Esq.

Ralph W. Sullivan, Esq.

Edwin Madaj, Esq.

Stephen A. Rothman, Esq.

ISSUED AS A MANDATE: AUG 3 1988

§ 1337. Unfair practices in import trade

Unfair methods of competition declared unlawful

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

Investigation of violations by Commission; time limits

(b)(1) The Commission shall investigate any alleged violation of this section

on complaint under oath or upon its initiative. Upon commencing any such investigation, the Commission shall publish notice thereof in the Federal Register. The Commission shall conclude such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating an investigation as a more complicated investigation. For purposes of the one-year and 18-month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United Stats involving similar questions concerning the subject matter of such investigation.

(2) During the course of each investigation under this section, Commission shall consult with, and seek advice and information from, the Department of Health, Education, and Welfare, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that a matter, in whole or in part, may come within the purview of section 1303 of this title or of part II of subtitle IV of this chapter, it shall promptly notify the Secretary of the Treasury so that such action may be taken as is otherwise authorized by such section and such Act. If the Commission has reason to believe the matter before it is based solely on alleged acts and effects which are within the purview of section 1303,

1671, or 1673 of this title, it shall terminate, or not institute, any investigation the matter. If the Commission has reason to believe the matter before it is based in part on alleged acts and effects which are within the purview of section 1303, 1671, or 1673 of this title, and in part on alleged acts and effects which may, independently from or in conjunction with those within the purview of such section, establish a basis for relief under this section, then it may institute or continue an investigation into the matter. If the Commission notifies the Secretary or the administering authority (as defined in section 1677(1) of this title) with respect to a matter under this paragraph, the Commission may suspend its investigation during the time the matter is before the Secretary or administering authority for final decision. For purposes of computing the 1-year or

18-month periods prescribed by this subsection, there shall be excluded such period of suspension. Any final decision of the Secretary under section 1303 of this title or by the administering authority under section 1671 or 1673 of this title with respect to the matter within such section 1303, 1671, or 1673 of this title of which the Commission has notified the Secretary or administering authority shall be conclusive upon the Commission with respect to the issue of less-than-fair-value sales or subsidization and the matters necessary for such decision.

Determinations; review

(c) The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a

hearing in conformity with the provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely by a final determination of the Commission under subsection (3), or (f) of this section may appeal such determination within 60 days after the determination becomes final to the United States Court of Appeals for the Federal Circuit. Such court shall have jurisdiction to review such determination in the same manner and subject to the same limitations and conditions as in the case of appeals from decisions of the United States Customs Court.

Exclusion of articles from entry

(d) If the Commission determines, as a result of an investigation this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from

entry into the United States, unless, after considering the effect of such exclusion on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

Exclusion of articles from entry during investigation except under bond

(e) If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that the articles

concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to enter under bond determined by the Commission and prescribed by the Secretary.

Cease and desist orders;

civil penalty for violation of orders

(f)(1) In lieu of taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such persons to cease and desist from engaging in the unfair methods or acts involved, after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like and directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commissioner may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under

subsection (d) or (e) of this section, as the case may be.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of $10,000 or the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem

appropriate the enforcement of such final orders of the Commission.

Referral to President

(g)(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall -

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), or (f) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval,

then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2), such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall be effective as provided in such subsections, that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

Period of effectiveness

(h) Except as provided in subsections (f) and (g) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

Importation by or for United States

(i) Any exclusion from entry or order under subsection (d), (e), or (f) of this section, in cases based on claims of United States letters patent, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded from entry or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, a patent owner adversely affected shall be entitled to reasonable and entire compensation in an action before the United States Claims Court pursuant to the procedures of Section 1498 of Title 28.

Definition of United States

(j) For purposes of this section and sections 1338 and 1340 of this title, the

term "United States" means the customs territory of the United States as defined in general headnote 2 of the Tariff Schedules of the United States.

No. 92-1205

Supreme Court, U.S.
FILED
FEB 25 1993
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In The

Supreme Court of the United States

October Term, 1992

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,

Petitioners,

vs.

CANON U.S.A., INCORPORATED,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the First Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. May the petitioners obtain review by this Court of the *res judicata* dismissal of one of their antitrust claims on the ground that the International Trade Commission lacked subject matter jurisdiction to adjudicate such claim where (a) the petitioners invoked the Commission's jurisdiction to hear their antitrust claims; and (b) the petitioners did not challenge the Commission's jurisdiction to hear antitrust-based claims either on appeal to the Federal Circuit from the Commission's determination adverse to the petitioners, or on appeal to the First Circuit from the District Court's successive dismissals of the petitioners' other antitrust claims?

2. Where the parties fully litigated the market impact and competitive effect of the respondent's marketing restrictions in a prior adjudicative proceeding initiated by the petitioners before the International Trade Commission, and such restrictions were analyzed under the rule of reason and found to promote interbrand competition and not unreasonably restrain trade, were the petitioners later precluded from asserting in another proceeding that the same conduct was a *per se* unreasonable restraint of trade?

3. Did the District Court properly direct a verdict upon the petitioners' horizontal conspiracy claim for failure to prove "antitrust injury" where (a) the challenged conduct was found to be pro-competitive in a prior antitrust-based adjudicative proceeding, and (b) the petitioners declined to introduce proof that they were injured by a competition-reducing effect of the respondent's conduct?

CORPORATE DISCLOSURE STATEMENT

Respondent, Canon U.S.A., Inc., pursuant to Supreme Court Rule 29.1, states that it is a New York corporation and a wholly-owned subsidiary of Canon Inc., a Japanese corporation. Respondent further states that it has the following subsidiaries: Ambassador Office Equipment, Inc., an Illinois corporation; Astro Office Products, Inc., a California corporation; Canon Business Machines, Inc., a California corporation; Canon Computer Systems, Inc., a California corporation; Canon Financial Services, Inc., a New Jersey corporation; Canon Information Systems, Inc., a California corporation; Canon Research Center America, Inc., a California corporation; Canon Software America, Inc., a New York corporation; Canon Trading U.S.A., Inc., a California corporation; Canon Virginia, Inc., a Virginia corporation; Dupli-Fax, Inc., a New Jersey corporation; and MCS Business Machines, Inc., a New York corporation.

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APPENDIX

Excerpt from Initial Determination, *In the Matter of Certain Electrically-Resistive Monocomponent Toner and "Black Powder" Preparations Therefor,* ITC Inv. No. 337-TA-253 (November 10,1987) 1a

Oral Decision Granting Defendant's Motion for Directed Verdict, *Aunyx Corporation and Aunyx Business Machines Corporation v. Canon U.S.A., Inc.*, Civil Action No. 86-2083-Z (March 19,1991) 4a

STATEMENT OF THE CASE

Pursuant to Supreme Court Rule 15.1, the respondent provides its own statement of relevant facts in order to correct various misstatements and omissions in the Petition.[1]

A. Background.

Petitioners Aunyx Corporation and Aunyx Business Machines Corporation (collectively "Aunyx") are Massachusetts corporations. (C.A. App. at 13). Respondent, Canon U.S.A., Inc. ("Canon"), is a New York corporation which markets Canon-brand products including the Canon "New Process" (NP) line of business copiers ("NP Copiers") and toner (*i.e.*, ink) for such copiers ("NP Toner"). (C.A. App. at 130).

Canon markets its NP Copier products through a nationwide network of approximately 500 independent, authorized dealers which sell machines and supplies and provide maintenance service to end-users. (C.A. App. at 130-131).

On March 1, 1979, Canon and Aunyx entered into Canon's then-standard form of copier dealer agreement, entitled Copier Division Manufacturer/Dealer Agreement ("Manufacturer/Dealer Agreement"), appointing Aunyx as a non-exclusive authorized dealer of certain NP Copier models, with primary sales and service responsibility in Plymouth County, Massachusetts. (C.A. App. at 131, 723-725).

In August 1982, Canon informed its dealers that it intended to promulgate a new form of dealer agreement that would more

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1. "Pet." refers to the Petition for a Writ of Certiorari and the Appendix thereto. "Res. App." refers to the Respondent's Appendix accompanying this Brief in Opposition. "C.A. App." refers to the Appendix jointly filed in the Court of Appeals.

explicitly prohibit certain specified practices, including "skating," alternatively defined as (1) transshipping by authorized dealers to unauthorized dealers and (2) marketing by authorized dealers outside their primary marketing areas. Both variations of the practice resulted in "free riding" on the promotional, sales and service efforts and expenditures made by authorized Canon dealers in their primary marketing areas. (C.A. App. at 113, 652, 726-727).

The new NP Copier Retail Dealer Agreement ("Retail Dealer Agreement"), distributed to all authorized dealers for execution commencing in March 1983, provided that the dealer could sell only at retail, *i.e.*, to end-users, and that the dealer could not sell outside its area of service capability unless it made suitable arrangements for another authorized dealer to provide service. (C.A. App. at 133, 749-753). Every Canon NP Copier dealer, except Aunyx, signed the Retail Dealer Agreement. Aunyx refused and continued as a dealer pursuant to the Manufacturer/Dealer Agreement. (C.A. App. at 133).

Meanwhile, starting in 1981, Aunyx spent millions of dollars developing, manufacturing and marketing its own brand of NP Toner. (C.A. App. at 14, 435, 440). However, Aunyx failed to successfully market Aunyx NP Toner. (C.A. App. at 134, 366, 440). Aunyx claims it then decided to market Canon NP Toner in competition with Canon's dealer network. (C.A. App. at 29, 372, 379-380). Aunyx began to obtain larger quantities of Canon NP Toner from Canon, which Aunyx intended to resell to unauthorized dealers and end-users nationwide, mainly by means of telemarketing. (C.A. App. at 7, 29, 379-382).

In October 1985, Canon determined that certain dealers were ordering much more Canon NP Toner than they needed to maintain the NP Copiers they sold and/or serviced — *i.e.*, their "field populations." Canon informed all its dealers that it reserved the right to limit Canon NP Toner purchases based on Canon's

estimate of the requirements of the dealer's field population. (C.A. App. at 140, 770). The policy was designed, *inter alia*, to enhance the strength of Canon's dealer network by providing full-service dealers who made expenditures to develop markets for NP Copiers in their primary marketing areas with revenues from Canon NP Toner sales to end-users in those areas. (C.A. App. at 140). Pursuant to the policy, Canon placed limitations on the amount of Canon NP Toner that Aunyx and other dealers could purchase from it. (C.A. App. at 140-141, 771-772).

B. The ITC Section 337 Proceeding.

In July 1986, Aunyx filed two substantially identical Complaints against Canon, one in the District Court for the District of Massachusetts, and the other with the International Trade Commission ("ITC" or "Commission") under Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 ("Section 337").[2] (C.A. App. at 134; Pet. at 57-59).

Aunyx's ITC pleadings alleged that it was injured by Canon's commission of various antitrust violations and other unfair acts in connection with Canon's marketing of Canon NP Toner. *See* 51 Fed. Reg. 29,709 (1986). Significantly, Aunyx alleged that "Canon's unfair methods of competition and unfair acts can be classified in six distinct categories, *each cognizable under the U.S.*

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2. At the time of the commencement of the Section 337 proceeding and this action, Section 337 provided in relevant part that:

> Unfair methods of competition and unfair acts in the importation of articles into the United States, . . . the effect or tendency of which is . . . to restrain trade or monopolize trade and commerce in the United States, are declared unlawful.

antitrust laws and common law of unfair competition" (emphasis supplied).[3] For these alleged violations, Aunyx sought an exclusion order permanently prohibiting importation of Canon NP Toner into the United States. (C.A. App. at 78-79).

During approximately one year of pre-hearing discovery, hundreds of thousands of pages of Aunyx, Canon and third-party documents were produced; more than 100 written interrogatories were answered by the parties; and 33 individuals provided over 70 days of deposition testimony. (C.A. App. at 175; Pet. at 60).

Late in the proceeding, Aunyx moved to further amend its ITC pleadings to add a claim that Canon and certain of its dealers had conspired to adopt the marketing restrictions embodied in the new Retail Dealer Agreement, and to restrict the amount of Canon NP Toner that dealers could purchase from Canon, in order to divide the market for Canon NP Toner among the dealers in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1. (C.A. App. at 86; Pet. at 60). Canon opposed the motion, arguing that the proposed amendment (1) failed to allege injury to a domestic industry or an exclusion of competitors and therefore failed to state a claim under Section 337; and (2) was untimely.[4] Contrary to Aunyx's repeated assertions (Pet. at 11-12,13, 47), Canon did *not* oppose the motion on the ground that the ITC lacked jurisdiction to hear the claim. The Administrative Law Judge ("ALJ") denied the motion solely "on the ground of untimeliness." (C.A. App. at 86; Pet. at 12, 61). Aunyx never sought review by the ITC or the Federal Circuit of the denial of its motion to amend. (Pet. at 61).

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3. Amended Verified Complaint Under Section 337 Of The Tariff Act Of 1930, As Amended, And Verified Supplement Thereto, July 29,1986, at 13.

4. *See* Respondents' Opposition To The Joint Motion Of The Commission Investigative Staff And Complainant Aunyx Corporation To Amend Complaint And Notice Of Investigation, April 3,1987.

During the eleven-day hearing that commenced in August 1987, the testimony of 43 witnesses, 84 written witness statements and over 1,000 exhibits were admitted into evidence. (C.A. App. at 176; Pet. at 87). Each witness was subject to direct and cross-examination by Aunyx, Canon and the ITC Investigative Staff. (C.A. App. at 176; Pet. at 94). The transcript of the hearing approaches 4,000 pages. (C.A. App. at 176).

Evidence concerning the policies purportedly giving rise to Aunyx's horizontal conspiracy claim was introduced in support of Aunyx's other antitrust claims and was received by the ALJ. Specifically, in urging the ALJ to find that Canon had violated Section 337, Aunyx asserted at the hearing that Canon's prohibition of "skating" and Canon's limitations on Aunyx's purchases of Canon NP Toner resulted in unlawful exclusive territorial restrictions. (C.A. App. at 219-220).[5]

In November 1987, the ALJ issued an exhaustive 182-page decision containing 457 fully annotated findings of fact ("ALJ Opinion"). With respect to the marketing restrictions which Aunyx claims were the product of a horizontal conspiracy, the ALJ found that:

> Here . . . the territorial restrictions have a legitimate business purpose and are absolved under the rule of reason. Canon and the end-users depend upon the dealers in this service-intensive market to keep the Canon machines running properly. Without the profit from supplies, the dealers have less incentive to provide service to a particular customer . . . .

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5. Pre-hearing discovery dealt with these events in detail. *(See* C.A. App. at 478-496, 617-722, 726-727, 733-740, 747-772).

> Of course, if Canon can't provide adequate service for its copiers through the dealer network, it won't be able to continue to sell copiers . . . . [W]ithout such restriction dealers could "take a 'free ride' on these services by not providing them, selling [toner] at a lower price, and at the same time enjoying the competitive benefits to the brand flowing from the providing dealer's expenditures". . . .
>
> * * *
>
> In sum, Canon's territorial restrictions, when examined under the rule of reason, were not so unreasonable as to rise to the level of a restraint of trade.

ALJ Opinion at 159-160 (citations omitted).[6]

Aunyx acknowledged on appeal to the ITC that the ALJ had considered both the anti-"skating" provisions in the 1983 Retail Dealer Agreement and the 1985 toner purchasing limitations. (C.A. App. at 228-230). Aunyx told the ITC that the ALJ *"correctly and comprehensively* made the findings of fact relevant to Canon's restrictions on intrabrand toner competition" (C.A. App. at 228-229 (emphasis supplied)). Aunyx only disagreed with the ALJ's "ultimate conclusion" that "Canon's conduct" did not "rise to the level of restraint of trade." (C.A. App. at 233). In February 1988, the ITC unanimously held that Aunyx had not proven any of its claims, thereby terminating the investigation and effectively

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6. The complete public version of the ALJ Opinion was admitted by the District Court at trial. The section analyzing the competitive impact and propriety of the conduct challenged by Aunyx in this action, entitled "Restrictions on Intrabrand Competition," is reproduced in Res. App. at 1a-3a.

dismissing Aunyx's claims with prejudice. (Pet. at 61,117-121).

In April 1988, Aunyx filed a Petition for Review with the Court of Appeals for the Federal Circuit. In July 1988, Aunyx moved to dismiss its appeal. (C.A. App. at 75-76). In August 1988, the Federal Circuit granted the motion and ordered the appeal dismissed (Pet. at 13, 61, 122-123), thereby rendering the ITC determination final.

C. The District Court Action.

Having elected to pursue its claims under the expedited procedures available at the ITC, Aunyx took no steps during the pendency of the Section 337 proceeding to prosecute those same claims in the District Court. (Pet. at 59-60). In June 1987, shortly after it unsuccessfully had sought to further amend its ITC pleadings, Aunyx moved to further amend its Complaint in the District Court to add, *inter alia*, its horizontal conspiracy claim. Canon opposed the motion, but in December 1987 the District Court granted leave to amend.

In April 1988, after the ITC had dismissed all of Aunyx's claims, Aunyx filed its Second Amended Complaint in the District Court, which restated the same federal antitrust and common law tort claims previously tried and dismissed by the ITC, and added the claim that Aunyx had waited too long to assert at the ITC — that Canon and its dealers conspired to divide the market for Canon NP Toner. (C.A. App. at 12-34).[7]

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7. The Second Amended Complaint also added a claim that Canon breached the Manufacturer/Dealer Agreement by imposing the toner purchasing limitations in 1985 and cancelling the Agreement in 1988. (C.A. App. at 31-32). The District Court's dismissal of that count was affirmed by the Court of Appeals. (Pet. at 77-85). The breach of contract count is not discussed in the Petition.

In November 1988, Canon moved for summary judgment dismissing the Second Amended Complaint, principally due to the preclusive effect of the ITC determination. (C.A. App. at 73-74; Pet. at 61-62). In June 1989, the District Court agreed as to all of Aunyx's antitrust claims except the horizontal conspiracy claim, holding that as a result of the ALJ's rejection of Aunyx's untimely motion to add this "related claim," Aunyx was unable to "fully litigate" the claim. (Pet. at 13, 62-63, 86-96). In August 1989, a Final Judgment was entered on all the dismissed antitrust counts pursuant to Fed. R. Civ. P. 54(b). (C.A. App. at 196; Pet. at 63). Aunyx did not appeal from the *res judicata*/collateral estoppel dismissal of its originally pleaded antitrust claims. (Pet. at 63).

The liability phase of Aunyx's horizontal conspiracy claim proceeded to trial in March 1991. (C.A. App. at 289; Pet. at 14, 64). At the close of Aunyx's case, Canon moved for a directed verdict on various grounds, including the preclusive effect of the ITC determination and Aunyx's failure to prove a *prima facie* case, including the element of "antitrust injury." (C.A. App. at 581, 594-599). The District Court (Zobel, J.) granted Canon's motion, holding that Aunyx had failed to prove "antitrust injury." (Res. App. at 4a-9a; Pet. at 64).

Following entry of Final Judgment (Pet. at 111-116), Aunyx appealed to the First Circuit, where it attacked the District Court's decision that Aunyx had failed to make a *prima facie* showing of "antitrust injury." In response, while maintaining that the District Court plainly was correct in so holding, Canon's lead argument for affirmance was that the horizontal conspiracy claim was barred by *res judicata* and collateral estoppel. *See* Brief for Defendant-Appellee, October 30, 1991, at 14-23. Aunyx did not file a reply brief.

On October 21, 1992, the First Circuit affirmed the judgment of the District Court, holding that Aunyx's horizontal conspiracy

claim was barred by *res judicata.* (Pet. at 51-85). Relying upon decisions of this Court establishing that rulings of administrative agencies are entitled to *res judicata* effect when the agency acted in a judicial capacity, the First Circuit ruled that all requirements for application of *res judicata* had been satisfied. (Pet. at 65-77).

REASONS FOR DENYING THE WRIT

I.

AUNYX IS PRECLUDED FROM MAINTAINING THAT THE ITC LACKED JURISDICTION TO HEAR CLAIMS COGNIZABLE UNDER THE FEDERAL ANTITRUST LAWS OR THAT THE ITC DETERMINATION IS NOT ENTITLED TO *RES JUDICATA* EFFECT.

The Petition is noteworthy for its failure to discuss the careful analysis in the opinion by the Court of Appeals that Aunyx asks this Court to review. Instead, Aunyx seeks review on the basis of arguments that Aunyx did not raise before the ITC or the Court of Appeals. There are numerous independently sufficient reasons why this Court should decline to hear Aunyx's arguments.

A. The Questions Presented By The Petition Were Neither Raised In, Nor Passed Upon By, The Court of Appeals.

Aunyx did not ask the Court of Appeals to find that the ITC lacked jurisdiction to hear antitrust-based claims under Section 337, or that Canon should be estopped from seeking to dismiss the horizontal conspiracy claim on *res judicata* grounds. Notwithstanding that the preclusive effect of the ITC determination was Canon's lead argument before the Court of Appeals for affirmance of the District Court judgment, Aunyx did not even respond to Canon's preclusion arguments in the Court of Appeals. Moreover, after suffering an affirmance on *res judicata* grounds, described by Aunyx as a "rather unusual disposition of

the appeal" (Pet. at 15), Aunyx did not seek a rehearing in the Court of Appeals. There are no exceptional circumstances here warranting further review. *See Safeway Stores, Inc. v. Oklahoma Retail Grocers Association*, 360 U.S. 334, 342 n.7 (1959) (Court declined to hear claim that Oklahoma statute proscribing sales below cost was pre-empted by federal antitrust laws because claim was not made below); *Adams v. Mills*, 286 U.S. 397, 416-417 (1932) (Court declined to entertain challenge to jurisdiction of Interstate Commerce Commission which was not urged below); *Duignan v. United States*, 274 U.S. 195, 200 (1927) ("It is only in exceptional cases coming here from the federal courts that questions not pressed or passed upon below are reviewed").

B. Having Failed To Appeal The ITC Determination, Aunyx Now Is Barred From Collaterally Attacking The ITC's Jurisdiction.

When the ITC, at Aunyx's request, investigated, adjudicated and dismissed Aunyx's originally pleaded antitrust-based claims, it necessarily determined that it had jurisdiction to hear those claims. *See, e.g., Stoll v. Gottlieb*, 305 U.S. 165, 171-172 (1938) ("Every court in rendering a judgment tacitly, if not expressly, determines its jurisdiction over the parties and the subject matter"). Here, recognizing that "[t]he antitrust laws and the practice thereunder are at least one standard for 'unfair methods of competition and unfair acts' under Section 337" (citation omitted), the ALJ expressly held that "acts or practices which are violative of the Sherman Act are necessarily unfair methods of competition and unfair acts under Section 337." (ALJ Opinion at 176).

Aunyx admits that its exclusive avenue of review of the ITC determination was a direct appeal to the Federal Circuit. (Pet. at 23; *see* 19 U.S.C. § 1337(c); 28 U.S.C. § 1295(a)(6)). Since it abandoned its appeal to the Federal Circuit, thereby rendering the ITC determination final, Aunyx is precluded from collaterally attacking the ITC's jurisdiction to hear antitrust-based claims

against Canon under Section 337. "A party that has had an opportunity to litigate the question of subject matter jurisdiction may not, however, reopen that question in a collateral attack upon an adverse judgment. It has long been the rule that principles of res judicata apply to jurisdictional determinations — both subject matter and personal." *Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 n.9 (1982); *see also Chicot County Drainage Dist. v. Baxter State Bank*, 308 U.S. 371, 377 (1940); *Stoll v. Gottlieb*, 305 U.S. at 171-172.

C. Having Failed To Appeal From The Dismissal By The District Court Of Its Other Antitrust Claims On *Res Judicata* And Collateral Estoppel Grounds, Aunyx Is Barred From Relitigating The Preclusive Effect Of An ITC Antitrust-Based Determination.

When Canon moved in the District Court in November 1988 for summary judgment dismissing Aunyx's antitrust claims on *res judicata* and collateral estoppel grounds, Aunyx responded with the very arguments it now raises in its Petition — that the ITC lacked subject matter jurisdiction to hear such claims, that a jury trial and treble damages were not available to Aunyx at the ITC, and that Canon was judicially estopped from moving for summary judgment on preclusion grounds.[8] In dismissing all of Aunyx's antitrust claims which were tried at the ITC, the District Court expressly rejected Aunyx's contention that the ITC's determination of Aunyx's antitrust-based claims under Section 337 was not entitled to preclusive effect. (Pet. at 86-96). Since it failed to appeal from the Final Judgment entered on such claims under Fed. R. Civ. P. 54(b), Aunyx now is barred from further contesting the preclusive effect of ITC determinations of antitrust-based claims.

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8. *See* Transcript of Oral Argument of Motion for Summary Judgment, May 22, 1989, at 23-26; Supplemental Brief For Aunyx Business Machines Corporation In Opposition To Summary Judgment Motion, May 26, 1989, at 4-5.

Under the doctrine of collateral estoppel, once a court has decided an issue of fact or law necessary to its judgment, that decision precludes relitigation of the issue on a different cause of action involving a party to the prior determination. *Allen v. McCurry*, 449 U.S. 90, 94 (1980); *Montana v. United States*, 440 U.S. 147,153 (1979). Here, the parties conclusively litigated the propriety of giving preclusive effect to the ITC's determination of antitrust-based claims under Section 337, and having failed to seek review of the Final Judgment entered by the District Court on those claims, Aunyx is barred from seeking to relitigate that issue. "[O]ne opportunity to litigate an issue fully and fairly is enough." *Pignons S.A. de Mecanique v. Polaroid Corp.*, 701 F.2d 1, 2 (1st Cir. 1983) (citation omitted).

D. Aunyx Previously Maintained By Words And Conduct That The ITC Had Jurisdiction To Hear Claims Cognizable Under The Federal Antitrust Laws.

Aunyx repeatedly invoked the jurisdiction of the ITC to hear *all* its antitrust claims, staunchly defended the ITC's authority to adjudicate such claims under Section 337, and successfully induced the ITC to decide all its antitrust-based claims that were timely asserted. Curiously, Aunyx has failed to so state in its Petition.

At the ITC, Aunyx characterized all its claims as being "cognizable under the U.S. antitrust laws." *See* pp. 3-4, *supra*. Moreover, when Aunyx moved that its ITC Amended Complaint be further amended to include its claim that Canon and its dealers had conspired to "violat[e] section 1 of the Sherman Act,"[9] Aunyx stated:

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9. Joint Motion Of The Commission Investigative Staff And Complainant Aunyx Corporation To Amend Complaint And Notice Of Investigation, March 16,1987, at 1.

> The Aunyx complaint against Canon lies at the heart of Section 337; all the legislative history associated with its predecessor in 1922 indicates that its drafters were primarily concerned with antitrust-type issues. . . . [I]t was seen as a broad antitrust type of trade law that could be used against the giant foreign cartels competing against U.S. industries.[10]

Aunyx's present position cannot be reconciled with its prior words and conduct. If Aunyx seriously maintained that the ITC lacked jurisdiction to adjudicate claims cognizable under the federal antitrust laws, why did it repeatedly invoke the ITC's jurisdiction to hear such claims — including the horizontal conspiracy claim — under Section 337? Even if its loss at the ITC caused it to have belated second thoughts about the breadth of the ITC's jurisdiction under Section 337, why did it not question such jurisdiction (1) on appeal of the ALJ's determination to the Commission; (2) on appeal of the Commission's decision to the Federal Circuit; (3) on appeal to the First Circuit from the District Court's first Rule 54(b) judgment dismissing Aunyx's originally pleaded antitrust claims on *res judicata* and collateral estoppel grounds; or (4) in response to Canon's *res judicata* and collateral estoppel arguments to the Court of Appeals in support of affirming the District Court's later dismissal of the horizontal conspiracy claim?

Although the Petition makes no effort to deal with any of these questions, the answers nevertheless are apparent — Aunyx

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10. Reply Memorandum In Support Of Joint Motion Of The Commission Investigative Staff And Complainant Aunyx Corporation To Amend Complaint And Notice Of Investigation, April 10, 1987, at 5.

invoked the jurisdiction of the ITC to hear its antitrust claims under Section 337 to avail itself of the ITC's expedited procedures (*see* 19 U.S.C. § 1337(b)(1)) and the opportunity to seek a potentially devastating exclusion order against Canon (*see* 19 U.S.C. § 1337(d)), and it hoped to use a favorable ITC determination offensively on the basis of *res judicata* and/or collateral estoppel to collect damages from Canon in the District Court. This thirteenth hour change of position, after 6-1/2 years of litigation, is a mere afterthought designed to rescue Aunyx from a calculated, albeit unsuccessful, litigation strategy.

II.

THERE IS NO CONFLICT AMONG THE CIRCUITS.

Contrary to Aunyx's assertion, there is no conflict among the Circuit Courts of Appeal with respect to the issues Aunyx raises in this Court. Aunyx has cited no case in which any court has held that (1) the ITC lacks jurisdiction under Section 337 to adjudicate a claim based on conduct cognizable under the federal antitrust laws; and/or (2) an ITC determination in a non-patent Section 337 proceeding is not entitled to *res judicata* effect. Indeed, there is absolute consistency among the Circuits — uniformly against Aunyx — on these issues.

Other than the present case, there is only one case of which we are aware that deals with the application of *res judicata* to an ITC determination in an antitrust-based Section 337 proceeding. That case held that *res judicata* effect is warranted. *See Baltimore Luggage Co. v. Samsonite Corp.*, 727 F. Supp. 202, 205-207 (D. Md. 1989), *aff'd*, 1992-2 Trade Cas. (CCH) ¶ 69,998 (4th Cir. 1992) (not officially reported) (*"Baltimore Luggage"*).

The only case cited by Aunyx to demonstrate the purported conflict among the Circuits *is Stevenson v. Grentec, Inc.*, 652 F.2d

20 (9th Cir. 1981), *cert. denied*, 456 U.S. 943 (1982), denying *res judicata* effect to a Court of Customs and Patent Appeals decision in an ITC Section 337 *patent* proceeding. The futility of Aunyx's effort to draw a parallel to patent cases is underscored by the Second Circuit's opinion in *Union Manufacturing Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45-46 (2d Cir. 1985) (*"Union Manufacturing"*), which was cited with approval in *Baltimore Luggage* and by the Court of Appeals in the present case (*see* Pet. at 73).

In *Union Manufacturing*, Union had charged at the ITC that Han Baek and other importers had violated Section 337. The ITC found that the design of Union's product did not constitute a common law trademark and that Han Baek's similar design did not constitute false designation of origin. Rather than appealing the ITC decision to the Federal Circuit, Union filed an action in the district court renewing the same claims it had asserted at the ITC. Han Baek argued that the suit was barred by *res judicata*. In opposition, Union relied upon the same authority as Aunyx does here — cases and legislative history denying *res judicata* effect to ITC *patent* determinations.

In barring Union's claim on the ground of *res judicata*, the Second Circuit ruled that "the legislative history of the Trade Reform Act of 1974 as it pertains to the *res judicata* effect of ITC patent validity determinations . . . and decisions of federal courts and the ITC in patent validity cases" have "no bearing on ITC unfair trade practice and trademark determinations." 763 F.2d at 45 (citations omitted). Writing for a unanimous panel, Judge Newman concluded that "[t]he jurisdictional bar to *res judicata* treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC." *Id.*

Accordingly, there is no conflict among the Circuits concerning the *res judicata* effect of ITC Section 337

determinations in antitrust or, for that matter, any non-patent proceedings. Moreover, since the application of *res judicata* to ITC antitrust rulings has been the subject of only two cases in the more than 60 years since the adoption of Section 337, Aunyx's contention that "[t]his case presents an issue of continuing importance" (Pet. at 16) rings hollow.

III.

AUNYX'S BELATED CHALLENGE TO THE JURISDICTION OF THE ITC IS NOT SUPPORTED BY THE LANGUAGE OF THE APPLICABLE STATUTES, LEGISLATIVE HISTORY OR PRIOR DECISIONS.

A. The ITC Has Jurisdiction To Adjudicate Antitrust-Based Claims Under Section 337.

Section 337's prohibition of "[u]nfair methods of competition and unfair acts" in connection with the importation of goods having "the effect or tendency . . . to restrain or monopolize trade and commerce in the United States" originally was codified by Congress as Section 316 of the Tariff Act of 1922 (42 Stat. 943 (1922)), which was later incorporated into Section 337. It is readily apparent that this language is patterned after the Sherman Act, 15 U.S.C. §§ 1, 2. It is equally clear, as Aunyx itself argued at the ITC (*see* p. 13 *supra*), that all methods of unfair competition, including antitrust violations, are prohibited by Section 337. As stated in the Senate Report accompanying the passage of Section 316 of the Tariff Act of 1922, "[t]he provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice. . . ." S. Rep. No. 595, 65th Cong., 2d Sess. at 3 (1922).

The ITC consistently has interpreted its authority to include the power to determine whether an importer violated Section 337

by conduct prohibited by the federal antitrust laws. *See, e.g.*, ALJ Opinion at 176; *In the Matter of Chicory Root — Crude and Prepared*, ITC Inv. No. 337-TA-27 (1976) (available on LEXIS, ITRADE Library, ALLITC File); *see also* H. Kaye, P. Plaia, M. Hertzberg, *International Trade Practice* §§ 5.02, 5.20-5.23, 7.02 (1987). Congress never has overruled the ITC's exercise of jurisdiction to adjudicate antitrust-based claims despite Congress' repeated amendment of Section 337 over the last 20 years.[11] *See Commodity Futures Trading Commission v. Schor*, 478 U.S. 833, 846 (1986) ("[W]hen Congress revisits a statute giving rise to a longstanding administrative interpretation without pertinent change, the 'congressional failure to revise or repeal the agency's interpretation is persuasive evidence that the interpretation is the one intended by Congress' " (citation omitted)).

Relying upon *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373 (1985), Aunyx argues that because its horizontal conspiracy claim "was within the exclusive jurisdiction of the District Court, the ITC had no jurisdiction to decide that claim. . . ." (Pet. at 37-38). However, Aunyx has misplaced its reliance upon *Marrese* in contending that the federal courts' "exclusive jurisdiction" over federal antitrust claims deprives the ITC of jurisdiction to determine in Section 337 proceedings whether the antitrust laws have been violated. In *Marrese*, this Court held that the federal courts' exclusive jurisdiction over federal antitrust claims is *not* dispositive of whether state antitrust law determinations should be given preclusive effect pursuant to full faith and credit in a subsequent federal action. 470 U.S. at 380-381.

Moreover, this Court has ruled that the federal courts'

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11. *See* 88 Stat. 2053 (1975); 93 Stat. 193, 310 (1979); 94 Stat. 1744 (1980); 96 Stat. 48, 49 (1982); 98 Stat. 3362 (1984);102 Stat. 1157, 1212 (1988);102 Stat. 3807 (1988).

exclusive jurisdiction over antitrust actions does not deprive federal agencies of congressionally-granted authority to determine that "conduct tending to restrain trade is an unfair method of competition even though the selfsame conduct may also violate the Sherman Act." *Federal Trade Commission v. Cement Institute*, 333 U.S. 683, 693 (1948). In *Cement Institute*, the defendant challenged the authority of the Federal Trade Commission ("FTC") to determine whether Section 5 of the Federal Trade Commission Act, which prohibits "unfair methods of competition," was violated by price fixing conduct violative of the Sherman Act. The defendant argued in support of its position, as Aunyx does here, that the federal courts have exclusive jurisdiction over Sherman Act claims. Upon review of relevant legislative history and its prior decisions, this Court determined that the authority granted by Congress to the FTC included the power to determine whether conduct constituting a violation of the Sherman Act also constituted an "unfair method of competition" prohibited by the FTC Act. 333 U.S. at 689-694. This Court has adhered to that view in subsequent cases. *See, e.g., Federal Trade Commission v. Brown Shoe Co.*, 384 U.S. 316, 320-321 (1966).

Similarly, the federal courts' exclusive jurisdiction over antitrust actions does not deprive the ITC of the authority granted to it by Congress to determine whether acts violative of the antitrust laws constitute "unfair methods of competition" in the context of the importation of goods into the United States. Aunyx has offered no authority for the proposition that "the term 'unfair method of competition' should not be construed as embracing any conduct within the ambit of the Sherman Act." *Cement Institute*, 333 U.S. at 692; *see Baltimore Luggage*, 727 F. Supp. at 207.

B. There Is No Authority For Denying The ITC Determination *Res Judicata* Effect.

Neither the cases cited by Aunyx denying preclusive effect to

ITC patent-based determinations, nor the legislative history of Section 337, supports withholding *res judicata* effect from ITC decisions in non-patent proceedings. *See* pp. 14-16, *supra; see also Baltimore Luggage*, 727 F. Supp. at 205-207. Aunyx relies upon two passages from the Senate Finance Committee Report on the Trade Act of 1974 in contending that Congress did not intend ITC antitrust-based determinations to have preclusive effect. *See* Pet. at 32-34; S. Rep. No. 1298, 93rd Cong., 2d Sess. (1974), *reprinted in* 1974 U.S. Code Cong. & Adm. News 7186 ("Report"). Neither of these passages demonstrates such intent.

The first passage is excerpted from a portion of the Report's description of the "Principal features of the bill" which summarizes the Finance Committee's proposed additions to that part of the Trade Act of 1974 which would amend Section 337. *See* Report at 7211-7212. The Finance Committee enumerated seven proposed additions, six of which are reflected in language contained in the statute as enacted. The seventh, concerning *res judicata* and collateral estoppel, is *not* reflected in the statute as enacted. *See* 88 Stat. 2053 (1975). Thus, the Finance Committee comment regarding preclusive effect quoted by Aunyx (Pet. at 32-33), whatever its intent, never found its way into the amendment of Section 337. *See International Brotherhood of Electrical Workers v. National Labor Relations Board*, 814 F.2d 697, 712 (D.C. Cir. 1987) ("[A] cardinal principle of the judicial function of statutory interpretation is that courts have no authority to *enforce* principles gleaned *solely* from legislative history that has no statutory reference point" (citing *United States v. American College of Physicians*, 475 U.S. 834, 846-847 (1986) (emphasis in original)). Furthermore, the second passage quoted by Aunyx (Pet. at 33-34) applies only to patent validity determinations, as found by the Second Circuit in *Union Manufacturing*, 763 F.2d at 46 n.6.

It is equally true that nothing in the federal antitrust laws demonstrates a congressional intent to deprive ITC antitrust-based

determinations of preclusive effect. On the contrary, a 1980 amendment to Section 5(a) of the Clayton Act, 15 U.S.C. § 16(a), evidences congressional intent to grant preclusive effect to antitrust determinations by federal administrative agencies other than the FTC. Section 5(a) of the Clayton Act generally provides that final judgments against defendants in antitrust actions brought by the United States are *prima facie* evidence against such defendants in subsequent proceedings. The 1980 amendment added the following to Section 5(a):

> Nothing contained in this section shall be construed to impose any limitation on the application of collateral estoppel, except that, in any action or proceeding brought under the antitrust laws, collateral estoppel effect shall not be given to any finding made by the Federal Trade Commission under the antitrust laws or under section 45 of this title which could give rise to a claim for relief under the antitrust laws.

As originally drafted in the House of Representatives, the amendment would have denied preclusive effect to antitrust determinations by *all* federal agencies. However, the provision was modified before passage so as to be applicable only to FTC findings. *See* H.R. Conf. Rep. No. 1234, 96th Cong., 2d Sess. (1980), *reprinted in* 1980 U.S. Code Cong. & Adm. News 2781, 2783. This legislative history of the 1980 amendment to Section 5 of the Clayton Act (more recent than that of the 1974 amendment to Section 337 referred to by Aunyx) evidences Congress' intent that antitrust-based determinations by federal agencies other than the FTC (such as the ITC) have preclusive effect in subsequent antitrust actions.

In sum, there is no reliable authority (case, statutory or otherwise) for departing from this Court's holdings in *United*

States v. Utah Construction & Mining Co., 384 U.S. 394 (1966), and subsequent cases, that administrative determinations made in a judicial capacity are entitled to preclusive effect. *See Astoria Federal Savings and Loan Association v. Solimino*, 111 S. Ct. 2166, 2169-2170 (1991) ("[W]here a common-law principle is well established, as are the rules of preclusion . . . the courts may take it as given that Congress has legislated with an expectation that the principle will apply except 'when a statutory purpose to the contrary is evident' "(citations omitted)). As the Second Circuit aptly observed in *Union Manufacturing:*

> To hold otherwise would undermine the legitimacy of the ITC proceeding; the party losing the administrative adjudication could simply file an identical action in a federal district court and thereby avoid the strict standard of review governing appeal of ITC determinations in the Federal Circuit. Litigants should not be able to circumvent the decisional authority of the ITC and the reviewing authority of the Federal Circuit by filing in a district court what amounts to a collateral attack on the ITC determination.

763 F.2d at 45 (footnote omitted).

IV.

AUNYX'S REMAINING ARGUMENTS HAVE BEEN WAIVED AND ARE WITHOUT MERIT.

Aunyx's arguments that it was deprived of the opportunity to seek a jury trial and treble damages at the ITC, and that Canon is judicially estopped from relying upon its preclusion arguments by its opposition to Aunyx's motion for leave to amend at the ITC,

were foreclosed long ago. These arguments were raised by Aunyx and rejected by the District Court when it granted summary judgment dismissing Aunyx's originally pleaded antitrust claims in August 1989. *See* p. 8, *supra*. Aunyx is collaterally estopped from relitigating these issues by its failure to appeal from the Final Judgment entered on those claims. *See* pp. 10-11, *supra*. In any event, none of these arguments was raised before the Court of Appeals, and each is without merit.

A. Jury Trial and Treble Damages.

Aunyx's calculated decision to pursue its claims before the ITC, where it knew a jury trial was not available, cannot give rise to a wrongful deprivation of any right to a jury trial. *See Katchen v. Landy*, 382 U.S. 323, 336-339 (1966); *Baltimore Luggage Co. v. Samsonite Corp.*, 1992-2 Trade Cas. (CCH) ¶ 69,998 at 68,840 (4th Cir. 1992) (not officially reported) ("[Plaintiff] was not precluded, during the ITC's investigation, to seek expedited proceedings in the district court where it could have asserted its seventh amendment right to a jury trial prior to the ITC determination"). This Court's precedents confirming the propriety of administrative preclusion would be meaningless if every administrative proceeding's preclusive effect could be voided because the determination was not made by a jury.

Similarly, since Aunyx chose to prosecute its claims in a federal forum offering specified remedies *(i.e.,* cease and desist and exclusion orders), *res judicata* bars Aunyx's subsequent action asserting the same claims in another federal forum offering an alternative remedy *(i.e.,* treble damages). *See United States v. Oregon Lumber Co.*, 260 U.S. 290 (1922); *Ellingson Timber Co. v. Great Northern Railway Co.*, 424 F.2d 497 (9th Cir.), *cert. denied*, 400 U.S. 957 (1970) (Plaintiff's election to pursue remedy of "reparations" before the Interstate Commerce Commission for alleged unlawful pricing precluded subsequent district court action

under the antitrust laws seeking treble damages for the same conduct); *Baltimore Luggage*, 727 F. Supp. at 205 *(res judicata* applied to ITC antitrust ruling even though party chose not to press its antitrust defenses at the ITC because, *inter alia*, it could not obtain affirmative relief on such defenses).

When Aunyx chose to invoke the jurisdiction of the ITC under Section 337, and chose for strategic purposes not to seek suspension of the ITC investigation in favor of its pending District Court action *(see* 19 U.S.C. § 1337 (b)(1)), it assumed the risk that it would not prevail at the ITC. This choice cannot now be used as an excuse to avoid an adverse result.

B. Judicial Estoppel.

"The judicial estoppel doctrine protects the integrity of the judicial process by preventing a party from taking a position inconsistent with one successfully and unequivocally asserted by that same party in a prior proceeding." *Brewer v. Madigan*, 945 F.2d 449, 455 (1st Cir. 1991); *see Davis v. Wakelee*, 156 U.S. 680, 689 (1895). The doctrine cannot apply here against Canon for two reasons. First, while Canon opposed Aunyx's motion to add its horizontal conspiracy claim at the ITC, Canon did *not* oppose the motion on the ground that the ITC lacked subject matter jurisdiction to hear the claim. *See* p. 4, *supra*. Second, it is undisputed that the ALJ denied Aunyx's motion solely on the ground of untimeliness. (C.A. App. at 86; Pet. at 12, 60-61). Indeed, to the extent the ALJ commented on Canon's other grounds for opposing the motion, he suggested that if Aunyx had moved to add the claim in a timely fashion, the claim would have been heard. *(See* Order Denying Motion To Amend Complaint And Notice Of Investigation, April 15,1987, at 2 n.1).

Finally, Aunyx cites no evidence that Canon consented to the maintenance of simultaneous proceedings before the ITC and the

District Court. When Aunyx sought to resurrect its District Court action by moving for leave to file a Second Amended Complaint including the horizontal conspiracy claim, Canon opposed the application.[12] Moreover, Canon promptly moved for summary judgment in the District Court upon the conclusion of the Section 337 proceeding.

V.

COLLATERAL ESTOPPEL AND AUNYX'S FAILURE TO PROVE "ANTITRUST INJURY" ARE INDEPENDENT GROUNDS FOR AFFIRMANCE OF THE DISMISSAL OF AUNYX'S HORIZONTAL CONSPIRACY CLAIM AND FOR DENYING THE PETITION.

Aunyx tries to suggest that it has a meritorious claim which has not been considered in any adjudicative proceeding despite its history of losses on the merits both at the ITC and in the District Court. (Pet. at 17, 48). Lest this Court be misled into believing that justice has not been done, it should be noted that grounds other than *res judicata* compel the conclusion that this is not a case deserving this Court's attention since Aunyx cannot prevail on its antitrust claim.

A. Aunyx's Horizontal Conspiracy Claim Is Barred By Collateral Estoppel.

Even if Aunyx's horizontal conspiracy claim is not barred by *res judicata*, it is foreclosed by the doctrine of collateral estoppel, which is applicable to factual determinations made by administrative agencies acting in a judicial capacity. *See, e.g.*,

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12. *See* Memorandum Of Defendant Canon U.S.A., Inc. In Opposition To (1) Plaintiff's Motion For Leave To Amend Complaint And (2) Joint Motion To Add Aunyx Business Machines As An Intervenor-Plaintiff, July 10, 1987.

University of Tennessee v. Elliott, 478 U.S. 788, 797-798 (1986). Here, the ITC's final determination that Canon's conduct promoted interbrand competition and did not unreasonably restrain trade precludes Aunyx from proving its antitrust claim.

The Sherman Act prohibits "only *unreasonable* restraints of trade." *Business Electronics Corp. v. Sharp Electronics Corp.*, 485 U.S. 717, 723 (1988) (emphasis supplied). Even if it results in some restraint on *intrabrand* competition, a territorial restriction is not unreasonable if it increases *interbrand* competition, *Continental T.V., Inc. v. GTE Sylvania, Inc.*, 433 U.S. 36, 54-55 (1977), since the latter is the primary concern of the antitrust laws. *GTE Sylvania*, 433 U.S. at 52 n.19. The ultimate test of whether conduct is "unreasonable" for antitrust purposes is "whether its anticompetitive effects outweigh its procompetitive effects." *Atlantic Richfield Co. v. USA Petroleum Co.*, 110 S. Ct. 1884,1893 (1990) (*"ARCO"*).

The evidence on which Aunyx relies to establish a horizontal conspiracy in this case was culled by Aunyx from the ITC record. (C.A. App. at 478-496, 617-722, 726-804). Based on that evidence, the ITC held that any anti-competitive intrabrand impact of the Retail Dealer Agreement's territorial restrictions, and the toner purchasing limitations that purportedly were employed to enforce those restrictions, was outweighed by their pro-competitive effect on interbrand competition. (Res. App. at 1a-3a). The ITC found that by deterring "free riding" on the efforts and expenditures of Canon's full-service dealers in their respective marketing areas, Canon's policies strengthened its dealer network and enhanced its ability to compete effectively with other brands of copier systems. *Id.* In addition, to the extent the restraints at issue allegedly resulted in higher prices for Canon NP Toner (C.A. App. at 220), the ITC found that such restraints promoted interbrand competition by enhancing the ability of competitive toner producers to sell their own, less expensive brands of toner. (Res. App. at 3a).

"*Per se* and rule-of-reason analysis are but two methods of determining whether a restraint is 'unreasonable.'" *ARCO*, 110 S. Ct. at 1893. Since Canon's marketing policies passed muster under the rule of reason, there is no rational basis for applying a *per se* rule to the same conduct. *See O.S.C. Corp. v. Apple Computer, Inc.*, 601 F. Supp. 1274, 1292 (C.D. Cal. 1985), *aff'd*, 792 F.2d 1464 (9th Cir. 1986) ("Logically it should follow that a practice lawful under the rule of reason is not per se illegal").

B. Aunyx's Horizontal Conspiracy Claim Is Barred By Its Failure To Prove "Antitrust Injury."

In *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489 (1977) (*"Brunswick"*), this Court held that a plaintiff in a private antitrust action must show more than "injury causally linked to an illegal presence in the market." Instead, it must prove "*antitrust* injury, which is to say injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful." *Id.* (emphasis in original). In *ARCO*, this Court explicitly rejected the claim that "antitrust injury" need not be shown upon proof of a *per se* violation:

> The *per se* rule is a method of determining whether § 1 of the Sherman Act has been violated, but it does not indicate whether a private plaintiff has suffered antitrust injury and thus whether he may recover damages under § 4 of the Clayton Act.
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> * * *
>
> The antitrust injury requirement ensures that a plaintiff can recover only if the loss stems from [a] competition-*reducing* aspect or effect of the defendant's behavior . . . . [I]nsofar as the *per*

> *se* rule permits the prohibition of efficient practices in the name of simplicity, the need for the antitrust injury requirement is underscored.

ARCO, 110 S. Ct. at 1893-1894 (emphasis in original).

The District Court's dismissal of Aunyx's horizontal conspiracy claim for failure to prove "antitrust injury" was based on the absence of evidence that Aunyx's alleged damages arose from competition-reducing conduct by Canon. (Res. App. at 7a-9a). The record fully supports that determination for two independently sufficient reasons.

First, Aunyx's alleged injury arises from not being able to engage in the very activity that Canon sought to restrict, namely, "skating" and "free riding" by selling Canon NP Toner in markets developed by other dealers. Since the restriction of such practices was found by the ITC on balance to be pro-competitive, it is axiomatic that Aunyx cannot show that its alleged loss "stems from [a] competition-reducing aspect or effect of [Canon's] behavior," *ARCO*, 110 S. Ct. at 1894 (emphasis in original), nor an "injury of the type the antitrust laws were intended to prevent." *Brunswick*, 429 U.S. at 489. Regardless of the source of the challenged conduct — vertically imposed by Canon or horizontally imposed by its dealers — the market effect of the conduct cannot be relitigated by Aunyx.

Second, as the District Court indicated at trial, to prove anticompetitive effect of Canon's conduct, Aunyx had to present testimony by a witness with requisite knowledge or experience, utilizing a sufficient foundation of factual data and taking into account the relevant variables, showing that Aunyx would have sold sufficient amounts of Canon NP Toner at a sufficiently low price to drive down the then-existing price levels of that toner in the relevant market, identified by Aunyx as the United States and Canada. (C.A. App. at 16, 562-563).

Yet, in the face of repeated warnings by the District Court at trial that it was in danger of being non-suited, Aunyx failed to establish the prevailing price levels for Canon NP Toner and how Aunyx's marketing efforts would have affected those price levels. As the District Court observed, Aunyx failed to show that end-users would have paid lower prices had Aunyx carried out its marketing program. (C.A. App. at 582-587). The District Court properly pointed out that Aunyx was obliged to offer a "disciplined analysis of these particular markets, the particular pricing in these markets . . . how one thing or another affects prices. . .," but "we have none of that in this case, nothing." (C.A. App. at 562). Accordingly, the District Court properly held that Aunyx failed to prove that the challenged restrictions imposed by Canon on its dealers had any demonstrable anti-competitive effect in the relevant market, which effect in turn caused injury to Aunyx.

CONCLUSION

The Petition for a Writ of Certiorari should be denied.

Dated: February 16, 1993

Respectfully submitted,

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APPENDIX A — EXCERPT FROM INITIAL DETERMINATION, *IN THE MATTER OF CERTAIN ELECTRICALLY-RESISTIVE MONOCOMPONENT TONER AND "BLACK POWDER" PREPARATIONS THEREFOR*, ITC INV. NO. 337-TA-253, DATED NOVEMBER 10, 1987

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

Investigation No. 337-TA-253

IN THE MATTER OF

CERTAIN ELECTRICALLY-RESISTIVE MONOCOMPONENT TONER AND "BLACK POWDER" PREPARATIONS THEREFOR

EXCERPT FROM INITIAL DETERMINATION
(Pages 158-160)
November 10, 1987

Mathias, A.L.J.

B. Restrictions on Intrabrand Competition

Canon distributes its copier machines, replacement parts and supplies throughout the United States through a network of over 500 independent authorized dealers. The profit margins are quite low for such dealers in the sale of machines, with the dealer profits coming largely from the sale of supplies and service. (FF 147).

Copier machines are service-intensive, with the end-users relying heavily upon the dealers and the dealer technicians for repair service and preventive maintenance. (FF 148). Canon is

therefore quite dependent upon its servicing dealers to please the end-users and promote good will.

Canon dealers are signatories to an agreement with Canon whereby they are limited to selling the Canon line of products at retail only, and within a primary marketing and sales territory. This provision was designed to eliminate extraterritorial sales, called "skating" by Canon. One of the principal reasons for such restriction was "to strengthen the marketing and service capabilities of the entire network of authorized NP-copiers [sic] dealers." (FF 150). Of course, one of the effects of such provision is to reduce inter-territorial sales of Canon supplies, including toner, by Canon dealers and to help support the price of such products. (FF 153).

Under some circumstances, vertical, non-price retrictions [sic] can be found to be violative of the anti-trust laws. *See, Graphic Products Distributors, Inc. v. Itek Corporation*, 717 F.2d 1560 (11th Cir. 1983). However, such vertical restrictions must be judged by the rule of reason, and are not *per se* violations. *Continential T.V., Inc. v. GTE Sylvania Inc.*, 443 U.S. 36, 59 (1977).

Here, as in contrast to the *Graphics* case, *supra*, the territorial restrictions have a legitimate business purpose and are absolved under the rule of reason. Canon and the end-users depend upon the dealers in this service-intensive market to keep the Canon machines running properly. Without the profit from supplies, the dealers have less incentive to provide service to a particular customer. (FF 246). Of course, if Canon can't provide adequate service for its copiers through the dealer network, it won't be able to continue to sell copiers. As noted in the *Graphics* case, *supra* at 1567, without such restriction dealers could "take a 'free ride' on

these services by not providing them, selling [toner] at a lower price, and at the same time enjoying the competitive benefits to the brand flowing from the providing dealer's expenditures." (Citing to the *Sylvania* decision, at 55 n. 23).

Furthermore, to the extent Canon's territorial restrictions on toner reduced intrabrand competition and raised prices on Canon brand toner, such restrictions "tend to improve rather than impair the opportunity for the monopolist's actual or potential rivals in the manufacture of the monopolized product." Areeda and Turner, *Antitrust Law*, ¶828d, Vol. III, p. 327 (1978). *See also, Continential T.V.*, [sic] *supra*, at 56 n. 24. In this connection it must be noted that a number of the dealers were testing competitive toners throughout the time period under investigation, and several were purchasing generic, or private label toners, toward the end of the time period under investigation. (FF 338-50).

In sum, Canon's territorial restrictions, when examined under the rule of reason, were not so unreasonable as to rise to the level of a restraint of trade.

However, Canon's other alleged unfair trade practices, if substantiated, must be viewed in the light of such territorial restrictions. The evidence shows that the dealers exercised considerable influence over the machine user's choice of supplies. (FF 148). The evidence also shows that the dealers were quite insistent on being the end-user's source of supply. (FF 246). Therefore, any disparagement or other unfair acts against competing toner producers, by Canon dealers, was likely to be more effective. In view of the fact the dealers did not have to fear competition on the Canon Brand, they were more susceptible to restrictions on competitive brands of toner.

APPENDIX B — ORAL DECISION GRANTING DEFENDANT'S MOTION FOR DIRECTED VERDICT, *AUNYX CORPORATION AND AUNYX BUSINESS MACHINES CORPORATION V. CANON U.S.A., INC.*, CIVIL ACTION NO. 86-2083-Z, DATED MARCH 19, 1991

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Civil Action No. 86-2083-Z

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,

Plaintiffs,

-against-

CANON U.S.A., INCORPORATED,

Defendant.

ORAL DECISION GRANTING DEFENDANT'S MOTION FOR DIRECTED VERDICT
(Trial Transcript, pp. 7-2 to 7-7)
March 19, 1991

Zobel, D.J.

There are before me — I guess there's one motion for a directed verdict. Let me start by pointing out to you what I understand to be the standard in accordance with which I have to decide this motion and, then, as I understand the issues and, then, as I see the evidence concerning those issues.

Appendix B

As I understand it, I must view the evidence in the light most favorable to the plaintiff; and, with respect to the allegation of a conspiracy, whether, so viewed, the plaintiff has presented evidence that tends to exclude the possibility that Canon acted independently.

And as I see the case, there are essentially two issues, one — well, whether under that standard, the plaintiff has adduced sufficient evidence to show, one, a horizontal conspiracy or agreement and, two, antitrust injury. Obviously, he also has to show injury to himself, but that was never that much in contention.

With respect to the first — and let me also interject here, that as I see the plaintiff's case, it does not include the testimony of Mr. King and Mr. Meola, the other gentleman; however, even considering that, I would come to the same conclusion.

With respect to the first issue, that of a horizontal conspiracy or agreement, the parties agreed, as I understood it, that to take the 1983 agreement and 1985 limit out of being a vertical arrangement, the plaintiff has to show that Canon dealers coerced it into — coerced Canon into the contract and limitation; that these restrictions had no legitimate business purpose. Although I note in the plaintiff's request for instructions that they seem now to suggest otherwise, but I thought there was agreement on that. In any event, whether there is or there is not agreement, that is the law as I understand it.

I thought it was also agreed that coercion is different in both kind and degree from requesting and urging. Now, the evidence concerning coercion is extremely thin, and I recall no evidence that would exclude the possibility that Canon acted unilaterally. Nevertheless, were I persuaded that the evidence of antitrust injury

were sufficient, I would deny the motion if this were the only question; that is, it seems to me there is probably enough to go to the jury on the question of a horizontal conspiracy.

With respect to the second element, the antitrust injury, as I understand the plaintiff's position, it is that proof of a horizontal conspiracy is, per se, proof of a violation of Section 1 of the Sherman Act; and, further, that implicit in the finding of horizontal restraint is a finding of anticompetitive effect, that is, of a restriction of output and of the raising of prices.

Therefore, as I understand the argument, if the plaintiff also shows that it has as a result of this conspiracy, this per se violation, suffered an injury to its business or property it has suffered antitrust injury. That, I think, is the argument the plaintiff is making.

Now, first, however vital Topco may still be, in light of Palmer against BRG of Georgia, it is not clear that the per se rule of Topco can be so simply transferred to a situation like this, which seems to me to be akin to what Judge Bork, in Rothery Storage and Van Company, called, "an ancillary horizontal restraint, one that is part of an intergration [sic] of the economic activities of the parties and appears capable of enhancing the group's efficiency."

Second, as I read Atlantic Richfield, which, admittedly, is different from the reading that the plaintiff gives it in the most recent memo, the Court is clear that the antitrust injury requirement means, and here again I quote from the Supreme Court, "that a plaintiff can recover only if the loss stems from a competition reducing aspect or effect of the defendant's behavior." And "reducing" is underlined in the opinion, "competition-reducing aspect." And that "the need for this showing is at least as

great under the per se rule as under the rule of reason.

Indeed, insofar as the per se rule," the Supreme Court says, "permits the prohibition of efficient practices in the name of simplicity, the need for the antitrust injury requirement is underscored." The Court then quotes Phil Areeda to conclude that "proof of a per se violation and of antitrust injury are distinct matters that must be shown independently."

Although the alleged violation there was a vertical maximum price fixing scheme, the rule applies equally to a horizontal restraint, as the dissent both acknowledges and recognizes.

Third, I do not read Bombardier to say otherwise. Indeed, in distinguishing that case from Brunswick, the First Circuit points out there was, in Brunswick, no proof of anticompetitive behavior by the defendant and no diminution of competition. There was proof of both in Bombardier. As I see it, there was no proof of either in this case. So this is a case more like Brunswick and less like Bombardier.

Now, with this background, I turn to the evidence as I heard it during the last week.

To show antitrust injury, the plaintiff points, first, to evidence that as a result of the limit of 250 cartons per month, they were deprived of profits they otherwise would have made. Leaving aside the question whether that evidence proved that they actually suffered harm or, in the words of Bombardier, only that they suffered defeat of their expectation of profits, the evidence says nothing about any effect on competition.

Appendix B

Plaintiff next relies on Mrs. Langone's testimony, that the persons who would have bought from AUNYX are harmed because they were left to purchase from other dealers at the much higher suggested retail price. But that evidence was admitted solely in the context of the voir dire of Mrs. Langone on her qualifications as an expert on pricing and competition. It cannot now be transformed into evidence to prove the substance of plaintiff's claim, as it is not admissible to prove what other dealers' pricing practices were. That is, if it were offered as to the substance, it is rank hearsay. What other dealers told her is absolute hearsay. And I cite my own Clamp-All case, where I ruled out a similar expert's opinion based on telephone conversations the expert had with other dealers, and the First Circuit affirmed that evidentiary ruling.

Now, in papers filed this morning, the plaintiff points to certain findings of the I.T.C., in particular, Paragraph 153, which states that "the purpose of the market allocation provision for the sale of toner is, inter alia, to reduce competition." It says nothing, however, about the effect of the provision.

Now, I also note that another section that was appended to the memorandum which plaintiff brought to my attention states that "Canon did in fact restrict sales of toner to several dealerships to enforce its market allocation scheme." "Its", not "its dealers." That language appears to undercut plaintiff's assertions of a horizontal arrangement. It does not, in any event, advance that cause on antitrust injury.

I could recall nothing else in the evidence to show any anticompetitive effects of the restriction, and I am constrained, therefore, to allow the motion, even without consideration of any collateral estoppel effect of the findings of I.T.C. That is, in dealing

with this, I did not consider either the evidentiary or collateral estoppel effect of the I.T.C. finding, other than as brought to my attention by the plaintiff.

For these reasons, the motion is allowed. I guess we will not enter judgment until the rest of the case is dealt with. And I would like to, after discharging the jury, talk to counsel about where we go from here.

Supreme Court, U.S.
FILED
FEB 25 1993
OFFICE OF THE CLERK

NO. 92-1205

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,

PETITIONERS

v.

CANON U.S.A., INCORPORATED,

RESPONDENT

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

REPLY BRIEF FOR PETITIONERS

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Related Companies

Companies related to the petitioners are noted at page ii of the petition. Companies related to the respondent are listed at page ii of the Brief in Opposition.

I. THERE IS A DIRECT CONFLICT BETWEEN THE CIRCUITS WITH RESPECT TO THE RES JUDICATA EFFECT TO BE GIVEN TO ITC DECISIONS ON CLAIMS WITHIN THE EXCLUSIVE JURISDICTION OF THE DISTRICT COURTS.

In Section IV of the petition, at pages 39-42, the petitioners have pointed to a direct conflict between the decision of the Court of Appeals for the First Circuit in the present case and the decision of the Court of Appeals for the Ninth Circuit in Stevenson v. Grentec, Inc., 652 F.2d 20 (9th Cir. 1981), cert. denied 456 U.S. 943.

In its Brief in Opposition, at pages 14-16, the respondent denies the existence of the conflict, asserting that the present case involves the res judicata effect to be given to an antitrust claim (albeit one which the ITC declined to hear) whereas Stevenson denied res judicata effect in a patent matter, and pointing to the fact that the Court of Appeals for the Second Circuit gave res judicata effect to an ITC decision in a case involving infringement of a common

law trademark and unfair competition, Union Manufacturing Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42 (2d Cir. 1985).

The respondent has overlooked the crucial distinction between the Aunyx and Stevenson cases on the one hand and the Union Manufacturing case on the other.

While it is true that the present case involves antitrust issues while the Stevenson case involved patent issues, that distinction is meaningless. The cases are alike in that exclusive jurisdiction is granted to the United States District Courts in both antitrust cases (see pages 36-38 of the petition) and patent cases (see 28 U.S.C. 1338(a), set forth at page 4 of the petition). The Union Manufacturing case is unlike the Aunyx and Stevenson cases in that the United States District Courts do not have exclusive jurisdiction over trademark cases or unfair competition cases (see 28 U.S.C. 1338).

It is the grant of exclusive jurisdiction to the United States District Courts in both antitrust cases and patent cases which precludes the granting of res judicata effect to ITC decisions in both types of cases. The split between the circuits is genuine and unavoidable.

II. JURISDICTION OF THE ITC TO DECIDE AN "ANTITRUST-BASED CLAIM" FOR A VIOLATION OF SECTION 337 IS NOT THE SAME AS JURISDICTION TO DECIDE AN ANTITRUST CLAIM FOR VIOLATION OF SECTION 1 OF THE SHERMAN ACT. THE LATTER IS RESERVED TO THE UNITED STATES DISTRICT COURTS.

The International Trade Commission is authorized by the provisions of Section 337 of the Tariff Act of 1930, 19 U.S.C. 1337, which is set out in full at pages 124-138 of the petition, to impose sanctions against certain "Unfair methods of competition and unfair acts" including those "the effect or tendency of which is to . . . restrain or monopolize trade and commerce in the United States. . . ."

Those "unfair methods of competition" which violate Section 1 of the Sherman Act, 15 U.S.C. 1, or Section 2 of the Sherman Act, 15 U.S.C. 2, may be found also to violate Section 337 of the Tariff Act of 1930. Compare Federal Trade Commission v. Cement Institute, 333 U.S. 683, 690, 693 (1948) (conduct which violates Sherman Act also may violate section 5 of the Federal Trade Commission Act, 15 U.S.C. 45).

In its Brief in Opposition the respondent has used repeatedly the term "antitrust-based claims" to identify or describe claims asserted under Section 337 which are based on conduct also violative of Section 1 or 2 of the Sherman Act. (See Brief in Opposition at pages 9, 10, 11, 12, 16 and 17.)

But the fact that the ITC has jurisdiction to decide what the respondent calls "antitrust-based claims" does not mean that the ITC has jurisdiction to decide antitrust

claims as such. That jurisdiction the ITC lacks, because exclusive jurisdiction to decide antitrust claims and to award treble damages for violations has been granted to the United States District Courts, as explained in Section III of the petition, at pages 36-38, where relevant authorities are cited.

What is the significance of the fact that the ITC has no jurisdiction to decide a claim under Section 1 of the Sherman Act? Simply this. That a plaintiff in a Section 337 proceeding before the ITC cannot be barred from later asserting an antitrust claim in a United States District Court on the theory that the claim could have been asserted in the ITC, where the antitrust claim as such could not have been asserted in the ITC and no similar or related claim under Section 337 actually was decided by the ITC. See Montana v. United States, 440 U.S. 147, 153 (1979).

If an "antitrust-based claim" under Section 337 actually is asserted in the ITC and actually is decided against the plaintiff after a hearing in the ITC, the plaintiff may be precluded from thereafter asserting in another forum a claim which is based upon the same conduct of the defendant. See, for example, Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 386 (1985) (state court decision), and United States v. Utah Construction & Mining Co., 384 U.S. 394, 422 (1966) (agency decision).

But that is not what happened in the present case.

The Statement of the Case set forth at pages 1-9 of the Brief in Opposition is argumentative and confusing.

Reduced to a skeletal sequence, the relevant proceedings below in this matter were the following:

1. Aunyx commenced simultaneous proceedings against Canon in the ITC and in the U.S. District Court for the District of Massachusetts.

2. The complaint filed in the ITC included "antitrust-based claims" under Section 337, but no claim of horizontal conspiracy.

3. The complaint filed in the U.S. District Court included antitrust claims, but no claim of horizontal conspiracy.

4. After discovery in the ITC case produced evidence of a horizontal conspiracy between Canon and its dealers, Aunyx moved for leave to amend the complaint in the ITC to add a claim based upon horizontal conspiracy. Canon opposed this motion, and the motion was denied.

5. The "antitrust-based claims" asserted in the ITC by Aunyx were decided against Aunyx. (These did not include the

claim of horizontal conspiracy, because the ITC refused to hear that claim.)

6. Aunyx filed an amended complaint in the U.S. District Court, with leave of court, adding to its claims an antitrust claim of horizontal conspiracy under Section 1 of the Sherman Act.

7. Aunyx abandoned an appeal to the U.S. Court of Appeals for the Federal Circuit, thus leaving intact the adverse decision of the ITC on the "antitrust-based claims" actually decided by the ITC.

8. Canon moved for summary judgment in the U.S. District Court, claiming that Aunyx's antitrust claims were barred by res judicata principles. The U.S. District Court allowed the motion with respect to those claims corresponding to the "antitrust-based claims" decided by the ITC, but denied the motion with respect to the horizontal conspiracy claim which had not been heard by the ITC.

9. The claim of horizontal conspiracy was tried to a jury in the U.S. District Court. After Aunyx rested, the trial judge directed a verdict for Canon on the theory that Aunyx had failed to prove "antitrust injury."

10. Aunyx took an appeal to the U.S. Court of Appeals for the First Circuit from a final judgment dismissing the claim of horizontal conspiracy.

11. The Court of Appeals affirmed the judgment for Canon on a theory of res judicata, stating that Aunyx could have asserted its horizontal conspiracy claim before the ITC (petition at pages 76-77).

Thus Aunyx has been deprived of the right to a decision on its horizontal conspiracy antitrust claim under Section 1 of the Sherman Act on a strange theory of "claim splitting" -- namely, that because (a) the ITC had jurisdiction to decide claims for violations of Section 337 of the

Tariff Act of 1930, and (b) the ITC could have decided that any conduct which violated Section 1 of the Sherman Act also violated Section 337, Aunyx therefore was required to assert any claim for violation of Section 1 of the Sherman Act in its original complaint in the ITC or be deemed to have waived that claim -- even though the ITC had no jurisdiction to decide any claim under the Sherman Act as such.

This novel decision disrupts the settled law of claim preclusion and threatens to cause chaos in proceedings before the ITC.

A prudent plaintiff is unlikely to commence proceedings before the ITC if by so doing it will run the risk of losing the right to pursue valid antitrust claims which are not within the jurisdiction of the ITC but could be found to violate Section 337 as well as the Sherman Act.

III. THIS CASE PRESENTS ISSUES OF CONTINUING IMPORTANCE IN A WORLD OF EXPANDING INTERNATIONAL TRADE IN WHICH UNITED STATES COMPANIES ARE BEING BATTERED BY UNFAIR PRACTICES OF OTHER NATIONS.

The respondent in its Brief in Opposition mocks the petitioners' suggestion that this case presents an issue of continuing importance with respect to the res judicata effect to be given to ITC decisions on claims within the exclusive jurisdiction of the United States District Courts, such as patent infringement claims and antitrust claims (petition at page 16), pointing to the fact that the application of res judicata to ITC antitrust rulings has been the subject of only two cases in 60 years (presumably referring to the two appellate decisions noted in its brief).

The respondent asserts that the petitioners' suggestion that the issue is of continuing importance "rings hollow" in light of the infrequency of appellate

decisions on point (Brief in Opposition at page 16).

Whatever the history of concomitant ITC proceedings and antitrust actions in the District Courts may have been in past years, no perceptive observer could deny that such matters are of rapidly intensifying importance in today's world.

Foreign manufacturers of automobiles have appropriated the American market to the point at which American manufacturers have reached the brink of extinction.

It is no longer possible to purchase a television set made in this country. Japanese companies dominate the market. See Matsushita Electric Industrial Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574 (1986).

Faced with meeting the onslaughts of foreign competition, American companies may increasingly seek protection from both the ITC and the federal courts (just as Aunyx did in the present case). It is of crucial

importance that they be able to predict the pitfalls of proceeding in both arenas concurrently, and the questions presented by the petition become more important with each passing day.

IV. THE QUESTIONS PRESENTED BY THE PETITION WERE RAISED AND DECIDED IN THE COURTS BELOW.

The respondent contends that the questions presented by the petition were not raised in or passed upon by the Court of Appeals (Brief in Opposition at pages 9-14). This is not so.

After dismissal of the petitioners' appeal from the adverse decision of the ITC, the respondent repeatedly moved for summary judgment in the District Court on the theory that the petitioners' antitrust claims (as well as other claims) were barred by principles of res judicata.

The petitioners opposed these motions, making the same arguments made in the petition (Brief in Opposition, page 11), and the

District Court denied the motions as they related to the horizontal conspiracy claim. See opinions reproduced in the appendix to the petition at pages 86-96 and at pages 97-105.

The res judicata issue was thoroughly briefed by the respondent in the Court of Appeals, and at oral argument in the Court of Appeals, the issue was argued by counsel for both the petitioners and the respondent. The petitioners relied upon the decisions of the District Court judges.

The res judicata issue was the sole basis of the decision of the Court of Appeals on the horizontal conspiracy claim (see opinion at pages 52 and pages 65-77 of the petition).

The questions presented relate to the only issue decided by the Court of Appeals, and there is no basis for respondent now to contend that the issue was not decided by the Court of Appeals.

V. AUNYX PRESENTED CONVINCING EVIDENCE OF "ANTITRUST INJURY" AT TRIAL.

The respondent argues at pages 26-28 of its Brief in Opposition that the petitioners' horizontal conspiracy claim is barred by failure to prove "antitrust injury" at trial in the District Court. This argument is without merit.

In Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 489 (1977), this Court held that a plaintiff in a private antitrust action must prove "antitrust injury, which is to say injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful" (emphasis in original). In Atlantic Richfield Co. v. USA Petroleum Co., 495 U.S. 328, 344 (1990), the Court ruled that proof of "antitrust injury," meaning that the loss stems from a "competition-reducing aspect or effect of the defendant's behavior," is required even in the case of a

per se violation of the antitrust laws (emphasis in original).

The evidence at trial showed that in the summer of 1985 the petitioners embarked upon a program of selling large amounts of NP Toner, purchased from the respondent, to end users throughout the United States (C.A. App. 372, 379-380). The petitioners had an established customer base of over 7,000 customers for copier supplies, including some of the largest companies in the United States (C.A. App. 376, 381, 546-547).

The petitioners had an experienced sales staff (C.A. App. 381), an ample line of credit to finance the program (C.A. App. 382, 466), and advantages not shared by other Canon dealers, such as use of company airplane for sales purposes (C.A. App. 327, 348, 576-577).

The petitioners intended to price the Canon NP Toner at 15 to 20 percent below the average prices charged by other Canon

dealers to end users (C.A. App. 382). This reduced pricing would have been extremely attractive to end users (C.A. App. 382), and the petitioners expected to realize net profits in excess of $17 per carton (C.A. App. 387, 555) on sales of at least 115,000 cartons per year (C.A. App. 552-554), although other Canon dealers would compete by reducing their prices (C.A. App. 382-383).

The restrictions which the respondent then imposed upon the quantities of NP Toner which it would sell to the petitioners put an end to the petitioners' program of selling NP Toner to end users on a nationwide basis (C.A. App. 449), thus depriving thousands of potential customers for NP Toner of the lower prices which would have been charged by the petitioners and by other Canon dealers who would reduce their prices to compete with the petitioners (C.A. App. 382-383).

There was evidence from which the jury could find that the restrictions were imposed by the respondent pursuant to a horizontal conspiracy of respondent and its dealers, as the trial judge recognized (Appendix B to the Brief in Opposition, at page 6a).

There also was ample evidence of injury to the petitioners (C.A. App. 387, 471, 555), directly resulting from the restrictions by the respondent.

In order to show "antitrust injury," Aunyx was not required to show that all end users in the United States and Canada would pay lower prices for NP Toner because of the Aunyx program. It was sufficient to show that some customers would have paid lower prices and that Aunyx would have realized profits from sales to those customers. Palmer v. BRG of Georgia, Inc., 498 U.S. ___, 112 L.Ed.2d 349 (1990); Reiter v. Sonotone Corp., 432 U.S. 330, 341 (1979);

Blue Shield of Virginia v. McCready, 457 U.S. 465, 479 (1982).

The argument by the respondent that the petitioners failed to prove "antitrust injury" at trial is without basis in law or fact.

CONCLUSION

For the reasons set forth in the petition and in this reply brief, a writ of certiorari should issue to the United States Court of Appeals for the First Circuit in this matter.

Respectfully submitted,

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